NOTICE TO READERS

Parex Resources Inc. ("Parex")

Colombian Listing Document — Filed in Canada for Information Purposes Only

November 26, 2026

Nature of this Document

The attached is an English translation of a Spanish-language non-offering document dated November 26, 2026 (the "**Colombian Prospectus**") prepared by Parex solely to list its common shares (the "**Shares**") on the Bolsa de Valores de Colombia S.A. (the "**BVC**"). The Colombian Prospectus was prepared under the securities laws of Colombia, including the applicable regulations of the Financial Superintendence of Colombia (the "**SFC**"), and the rules of the BVC. In connection with the listing, the Shares have been registered in the National Registry of Securities and Issuers administered by the SFC.

Parex is filing the Colombian Prospectus on SEDAR+ so that investors in Canada have access to the same information made available in Colombia.

No Offering of Securities

Parex is not issuing any securities, and will not receive any proceeds, in connection with the listing of the Shares on the BVC. The Colombian Prospectus does not qualify any distribution of securities in Canada or elsewhere. Nothing in the Colombian Prospectus constitutes an offer to sell, or a solicitation of an offer to buy, securities of Parex in Canada or elsewhere.

Disclosure Standards – Not a Canadian Prospectus

The Colombian Prospectus is not a prospectus or other offering document under the securities laws of any province or territory of Canada.

Neither the Toronto Stock Exchange nor any securities regulatory authority in Canada has reviewed the Colombian Prospectus or expressed an opinion on its merits or on the accuracy or adequacy of the information in it.

The Colombian Prospectus was prepared to meet Colombian disclosure requirements and BVC listing requirements. It was not prepared to meet the requirements of Canadian securities laws, including the full, true and plain disclosure standard applicable to a Canadian prospectus. As a result, the Colombian Prospectus may not contain all the information that a Canadian prospectus would contain, and some information may be presented differently than it would be under Canadian disclosure requirements.

This document is an English Translation of a Spanish-language document.

PROSPECTUS FOR THE REGISTRATION OF COMMON SHARES OF PAREX RESOURCES INC. IN THE NATIONAL REGISTRY OF SECURITIES AND ISSUERS AND ON THE COLOMBIAN STOCK EXCHANGE

Issuer:	Parex Resources Inc. (the "**Company**", "**Parex**" and/or the "**Issuer**")
Registered Office:	Calgary - Alberta, Canada
Address:	3400, 888 Third Street S.W., Calgary, Alberta T2P 5C5
Main Activity:	Parex is an independent conventional oil and gas company in Colombia, focused on sustainable production. Parex's corporate headquarters are located in Calgary, Alberta, and it has an operational office in Bogotá, Colombia.
Branches:	Calle 113 No. 7 – 21 Bogotá – Colombia (Parex Resources (Colombia) AG Sucursal)
Registration Method:	The securities will be registered in the National Registry of Securities and Issuers ("**RNVE**") under the normal registration modality.
Class of Securities:	Common Shares (the "**Shares**" or "**Common Shares**", each a "**Share**" or "**Common Share**").
Law of Circulation:	Registered (nominative) in Colombia.
Number of Shares Outstanding as of June 30, 2026:	96,180,254 Common Shares.
Denomination:	In units.
Par Value:	In accordance with the Company's governing corporate statute (the ABCA), the Common Shares have no par value. This characteristic is specific to the Canadian legal regime and does not affect the validity of the registration of the Shares in the RNVE, nor their trading or circulation in the Bolsa de Valores de Colombia S.A. ("**BVC**").
Dividend Payment Dates:	The decision to declare any dividend and the amount of future cash dividends declared and paid by the Company, if any, will be subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including, without limitation, business performance, operating environment where the Company's assets are located, financial condition, growth plans, fluctuations in commodity prices, production levels, expected capital expenditure requirements, operating costs, royalty burdens, foreign exchange rates, interest rates, compliance with any restrictions on the declaration and payment of dividends contained in any agreements to which the Company or any of its subsidiaries is a party from time to

	time (including, without limitation, the agreements governing the Company's credit facilities and debt securities), and the satisfaction of liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. The actual amount, the record date and the payment date of any dividend are subject to the discretion of the Board of Directors. There can be no assurance that dividends will be paid at the current rate or at any rate in the future.
Market to Which the Securities Are Directed:	Main Market.
Structuring Agent in Colombia:	Banca de Inversión Bancolombia S.A. Corporación Financiera.
Legal Advisor for Registration in Colombia:	Brigard Urrutia Abogados S.A.S.
Transfer Agent:	Odyssey Trust Company 1230, 300 – 5th Avenue SW Calgary, Alberta T2P 3C4
Related Fees and Expenses:	Investors may acquire the Shares through a Stockbrokerage Firm legally incorporated in Colombia. Such firm may charge a commission to be negotiated and agreed between the Stockbrokerage Firm and the Investor. The Investor must determine with its Stockbrokerage Firm which other accounts must be opened with securities depositories for the acquisition and custody of the Company's Shares, as well as the timing and costs of transferring securities between the Canadian market and the Colombian market (and vice versa).
Stock Exchange:	The securities are listed on the Toronto Stock Exchange ("**TSX**") and will be listed on the BVC.
Corporate Governance Code:	Available at www.parexresources.com/sustainability/governance/
Applicable Law:	The registration, listing and trading of the Common Shares in the RNVE and on the BVC will be governed by, and construed in accordance with, the laws of the Republic of Colombia. The Common Shares, and the rights attaching to the Common Shares, are governed by the ABCA. Any legal action or proceeding relating to the enforcement of such rights falls within the jurisdiction of the Court of King's Bench of Alberta (the trial court of general jurisdiction in the Province of Alberta). Given that the Company's head office is in Calgary, Alberta, Canada and the Company is a reporting issuer in each of the provinces of Canada, various matters, such as trading in the Common Shares and continuous disclosure requirements, are also governed by securities laws and other applicable laws in Canada.
Local Custodian:	Depósito Centralizado de Valores de Colombia Deceval S.A. ("**DECEVAL**").

International Depository:	CDS Clearing and Depository Services Inc. ("**CDS**" or the "**International Depository**"). Address: 85 Richmond Street West, Toronto, Ontario M5H 2C9, Canada.
International Custodian:	The international entity selected by DECEVAL for the custody and administration of the Company's Shares abroad, including the recordkeeping of Investors' positions in Colombia and the processing of corporate actions, dividends and other rights associated with the Shares.
Stockbrokerage Firms:	The legal entities through which residents in Colombia may acquire Shares.
Investor Service Office:	Parex Resources Inc. Mike Kruchten Senior Vice President, Capital Markets & Corporate Planning Calle 113 No. 7-21, Office 611 Teleport Building, Tower A Bogotá, Colombia investor.relations@parexresources.com
Financial Information:	The annual financial information presented in this Prospectus is current as of December 31, 2025 and the quarterly financial information presented in this Prospectus is current as of June 30, 2026. The Issuer's public financial and corporate information can be viewed on the System for Electronic Data Analysis and Retrieval+ ("**SEDAR+**", available at www.sedarplus.ca), which is the primary public reporting system for listed issuers in Canada. The foregoing is without prejudice to the information that must be disclosed in Colombia through the RNVE/SFC and the BVC once the Shares have been registered, in accordance with applicable Colombian regulations. Additionally, information may be consulted on the Issuer's website (www.parexresources.com).

WARNINGS

IT IS CONSIDERED ESSENTIAL TO READ THE PROSPECTUS SO THAT POTENTIAL INVESTORS MAY ADEQUATELY ASSESS THE SUITABILITY OF THE INVESTMENT.

REGISTRATION IN THE RNVE AND AUTHORIZATION OF THE PUBLIC OFFERING DO NOT IMPLY ANY QUALIFICATION OR RESPONSIBILITY ON THE PART OF THE SFC REGARDING THE NATURAL OR LEGAL PERSONS REGISTERED, THE PRICE, MERIT OR MARKETABILITY OF THE SECURITY OR THE RESPECTIVE ISSUE, OR THE SOLVENCY OF THE ISSUER.

THE PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR AN INVITATION BY OR ON BEHALF OF THE ISSUER OR THE STRUCTURER TO SUBSCRIBE FOR OR PURCHASE ANY OF THE SECURITIES DISCUSSED HEREIN.

THE SECURITIES ARE LISTED ON THE TSX AND WILL BE LISTED ON THE BVC. REGISTRATION ON THE BVC DOES NOT IMPLY CERTIFICATION OF THE MERIT OF THE SECURITY OR THE SOLVENCY OF THE ISSUER.

THE ISSUER IS A CORPORATION INCORPORATED AND EXISTING UNDER THE LAWS OF THE PROVINCE OF ALBERTA, CANADA, AND IS GOVERNED BY THE BUSINESS CORPORATIONS ACT

(ALBERTA) AND OTHER APPLICABLE CANADIAN REGULATIONS. POTENTIAL INVESTORS SHOULD NOTE THAT THE RIGHTS AND OBLIGATIONS ARISING FROM THE SHARES ARE SUBJECT TO THE LAWS OF THAT JURISDICTION. ACCORDINGLY, ANY REGULATORY, LEGISLATIVE OR JUDICIAL CHANGE ADOPTED IN THE PROVINCE OF ALBERTA OR IN CANADA COULD AFFECT THE RIGHTS AND INTERESTS OF INVESTORS, INCLUDING, AMONG OTHERS, CORPORATE RIGHTS AS SHAREHOLDERS, SHAREHOLDER PROTECTION MECHANISMS, TAX TREATMENT, AND THE MANNER IN WHICH DISPUTES RELATING TO THE SHARES ARE RESOLVED. WITH RESPECT TO THESE MATTERS, CANADIAN AUTHORITIES SHALL HAVE JURISDICTION, AND COLOMBIAN AUTHORITIES MAY NOT INTERVENE IN SUCH MATTERS.

TRADING OF THE SHARES ON THE BVC WILL BE CARRIED OUT IN ACCORDANCE WITH THE APPLICABLE SECURITIES MARKET REGULATIONS.

THE ANNUAL FINANCIAL INFORMATION REFERRED TO IN THIS PROSPECTUS CORRESPONDS TO DECEMBER 31, 2025, THE DATE ON WHICH, IN ACCORDANCE WITH APPLICABLE LAW, THE COMPANY'S ACCOUNTING CLOSINGS ARE MADE. IN ADDITION, FINANCIAL INFORMATION CORRESPONDING TO THE INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2026 IS PRESENTED.

IN ACCORDANCE WITH THE CANADIAN REGULATIONS APPLICABLE TO THE ISSUER, THE FINANCIAL STATEMENTS ARE CONSOLIDATED.

UNLESS OTHERWISE STATED, INFORMATION CONTAINED IN THIS PROSPECTUS IS GIVEN AS AT JUNE 30, 2026.

ALL REFERENCES TO US$, $ OR USD REFER TO UNITED STATES DOLLARS AND VALUES EXPRESSED IN COP$ REFER TO COLOMBIAN PESOS.

NOVEMBER 2026

Cibest Capital

Structuring Agent in Colombia

Brigard Urrutia

BRIGARD & URRUTIA ABOGADOS S.A.S.
Legal Advisors in Colombia

EXHIBITS

Exhibit 1: Certification of the Legal Representative of Parex Resources Inc. regarding the contents of the Prospectus.
Exhibit 2: Certification of the External Auditor of Parex Resources Inc. regarding the contents of the Prospectus.
Exhibit 3: Certification of the Legal Representative of the Structuring Agent regarding the contents of the Prospectus.
Exhibit 4: Legal memorandum of Canadian counsel, translated into Spanish and duly authenticated, addressing the following:

- the rights conferred by the Common Shares.
- the powers of the Board of Directors to direct the registration of the Shares in the RNVE and on the BVC.
- the authorizations required in Canada for the registration of the Shares in the RNVE and on the BVC.
- payment of dividends in accordance with Canadian law and the dividend policy of Parex Resources Inc.
- change-of-control provisions of the Company; and
- the Code of Conduct.

Exhibit 5: Parex Secretary's Certificate dated August 16, 2026, accompanied by its official Spanish translation, consolidating the following Canadian corporate documents:

- *Exhibit A: Certificate and Articles of Amalgamation of Parex Resources Inc.;*
- *Exhibit B: Amended and Restated By-Law No. 1;*
- *Exhibit C: Certificate of Status;*
- *Exhibit D: resolutions of the Board of Directors authorizing the registration of the Shares in the RNVE and on the BVC (Listing Application); and*
- *Exhibit E: certificate of the persons authorized to act on behalf of and represent Parex.*

Exhibit 6: Issuer's Code of Business Conduct and Ethics.
Exhibit 7: Issuer Financial Statements. Audited annual consolidated financial statements of Parex Resources Inc. for the years ended December 31, 2023, 2024 and 2025, together with the related notes, as well as the condensed interim consolidated financial statements for the six-month period ended June 30, 2026, in their original English-language versions and their respective official Spanish translations:

- *Exhibit 7-A: Consolidated Financial Statements for the year ended December 31, 2023 – original English-language version.*
- *Exhibit 7-B: Consolidated Financial Statements for the year ended December 31, 2023 – official Spanish translation.*
- *Exhibit 7-C: Consolidated Financial Statements for the year ended December 31, 2024 – original English-language version.*
- *Exhibit 7-D: Consolidated Financial Statements for the year ended December 31, 2024 – official Spanish translation.*
- *Exhibit 7-E: Consolidated Financial Statements for the year ended December 31, 2025 – original English-language version.*
- *Exhibit 7-F: Consolidated Financial Statements for the year ended December 31, 2025 – official Spanish translation.*
- *Exhibit 7-G: Condensed Interim Consolidated Financial Statements for the six-month period ended June 30, 2026 – original English-language version.*
- *Exhibit 7-H: Condensed Interim Consolidated Financial Statements for the six-month period ended June 30, 2026 – official Spanish translation.*

AUTHORIZATIONS, SPECIAL INFORMATION AND OTHER GENERAL WARNINGS

APPROVALS AND AUTHORIZATIONS

The registration of the Shares in the RNVE and on the BVC was authorized by the Issuer's Board of Directors at its meeting held on July 30, 2026, as evidenced by the resolution of the same date. Such authorization is permitted by Parex's articles and by-laws and by sections 16 and 101 of the ABCA and does not require additional regulatory authorizations in Canada. The foregoing is confirmed by the legal memorandum of Canadian counsel attached as Exhibit 4.

The registration of the Shares in the RNVE was authorized by the SFC through Resolution No. [*] dated [*] [*], 2026.[1]

PUBLIC OFFERINGS

As of the date of publication of this Prospectus, Parex states that, other than this RNVE registration process to list its Shares on the BVC, it has not undertaken any other public offering process in the Colombian or Canadian markets.

CERTIFICATION OF THE CONTENTS OF THE PROSPECTUS

The Legal Representative of Parex, pursuant to the certification attached as Exhibit 1 hereto, certifies the truthfulness of the contents of this Prospectus and that it does not omit information that is material or could affect the decision of prospective Investors.

The persons in Colombia authorized to give information or statements about the contents of the Prospectus are:

<table>
<tr><th>Issuer[2]</th><th>Structuring Agent</th></tr>
<tr><td rowspan="2">Mike Kruchten
Senior Vice President, Capital Markets & Corporate Planning - Parex Resources Inc.
Parex Resources (Colombia) AG Sucursal
Calle 113 No. 7-21, Office 611, Teleport Building, Tower A, Bogotá, Colombia
Telephone: +57 6018418457
Email: investor.relations@parexresources.com</td><td>Laura Victoria Castañeda Montealegre
Senior Project Manager
Banca de Inversión Bancolombia
Carrera 11 # 91-42, 6th Floor
Bogotá D.C.
lvcastan@bancolombia.com.co</td></tr>
<tr><td>Luz Cecilia Manjarres
Lawyer
Capital Markets Legal Department
Carrera 11 # 91-42, 6th Floor
Bogotá D.C.</td></tr>
</table>

Parex has an Investor Service Office available in Canada with the following information:

Mike Kruchten, Senior Vice President, Capital Markets & Corporate Planning
2700 Eighth Avenue Place, West Tower
585 8 Avenue SW, Calgary
AB T2P 1G1, Canada
Telephone: +1 4032654800
Email: investor.relations@parexresources.com

[1]Pending completion at the time of authorization.

[2]Communications received at this address will be forwarded directly to Mike Kruchten.

It will also maintain an office for Colombian residents at:

Parex Resources (Colombia) AG Sucursal
Calle 113 No. 7-21, Office 611
Teleport Building, Tower A
Bogotá, Colombia
Telephone: +57 6018418457
Email: investor.relations@parexresources.com

GENERATION OF FINANCIAL INFORMATION

The financial information contained in this Prospectus was generated entirely by the Company and is derived from the annual financial statements audited by PricewaterhouseCoopers and from the interim unaudited financial statements of the Company.

INFORMATION ON THE PERSONS WHO HAVE PARTICIPATED IN THE VALUATION OF THE COMPANY'S LIABILITIES OR ASSETS

The information contained in this Prospectus is based on information provided by Parex as well as by any other source duly identified in it. The structurers and advisors in this process have not participated in the appraisal, valuation or evaluation of assets or liabilities of Parex that are reflected in the financial information of the Company.

ECONOMIC INTEREST OF ADVISORS

The structurer that participated in the process has an economic interest derived from the successful registration of the Issuer. This interest does not depend on the placement, since this registration does not contemplate a public offering.

There is no other adviser to the process who has a direct or indirect economic interest that depends on the success of this registration.

INFORMATION ON RELATIONSHIPS BETWEEN THE ISSUER AND ITS ADVISORS

There are no economic ties between the Issuer and its advisors in this process, other than those disclosed in this Prospectus.

EXCHANGE RATE INFORMATION

Values in Colombian pesos were converted using the exchange rate provided by the SFC at the end of each period indicated. Such values are set forth as Colombian Pesos per US$1.00.

	Three months ended June 30	Years ended December 31,		
Colombian Pesos	**2026**	**2025**	**2024**	**2023**
Rate at end of period	3,440.83	3,757.08	4,409.15	3,822.05

VOLUNTARY CANCELLATION OF THE REGISTRATION WITH THE RNVE

Pursuant to Paragraph 6 of Article 5.2.6.1.2 of Decree 2555 of 2010, as amended by Decree 451 of 2026, the cancellation of the registration of the shares of a foreign issuer with the RNVE and on a stock exchange does not require the launching of a public tender offer (OPA), provided that such securities remain listed on a stock exchange that is internationally recognized in the judgment of the SFC. As of the date of this Prospectus, the Common Shares are listed on the TSX; therefore, the Issuer may avail itself of this special mechanism.

Protection Requirements

The cancellation requires: (i) authorization from the SFC; (ii) a minimum listing period of six (6) months in the RNVE and on the BVC following the disclosure of such authorization; and (iii) a mechanism for the disposal of the securities on the international market (TSX) for an additional six (6)-month period.

General Regime Applicable if the Issuer Does Not Avail Itself of the Special Mechanism

In the event that the Issuer does not avail itself of the special mechanism described above, or the conditions for its application are not met, including if the Common Shares cease to be listed on a stock exchange recognized as internationally recognized in the judgment of the SFC, the voluntary cancellation of the registration of the Common Shares with the RNVE and on the BVC shall be subject to the general regime set forth in Article 5.2.6.1.2 of Decree 2555 of 2010 and in Chapter 6 of Title 2 of Book 15 of Part 6 of such decree, as amended by Decree 451 of 2026, or any rules that amend or replace them. Under such regime: (i) the cancellation must be approved by the Issuer's general shareholders' meeting, or the equivalent body under Canadian law, by a majority of the votes present at the relevant meeting, following prior disclosure to the market of the intention to cancel the registration with the minimum advance notice required under applicable regulations; (ii) the shareholders approving the cancellation must launch an OPA for the cancellation over the Common Shares held by the shareholders absent from or dissenting at such meeting, or their successors, which must be made within three (3) months following the date of the meeting at which the decision was adopted, failing which such decision shall be without effect; (iii) the price of the OPA shall be determined by an independent appraisal firm, whose suitability and independence shall be previously qualified by the SFC; and (iv) the OPA shall be subject, as applicable, to the general rules on public tender offers, including its authorization by the SFC. Shareholders voting in favour of the cancellation shall not transfer to the acquirers of their Common Shares the right to participate in the OPA, and the right to participate therein shall correspond solely to those who are absent or dissenting shareholders at the time of the meeting. Once the procedure is completed, the cancellation of the registration shall require the approval of the BVC and the SFC, and shall be disclosed to the market through the material information mechanism.

Implications for Local Investors

In the event of cancellation under the special mechanism: (a) the Common Shares would cease trading on the BVC and would thereafter have to be traded in the international market, which may entail additional costs and foreign exchange-related obligations; (b) no exit OPA would be required; (c) the exercise of corporate rights would continue to be governed by Canadian law, and investors may encounter operational difficulties if their holdings are not reflected in DECEVAL; and (d) the Issuer would cease reporting to the SFC, requiring Investors to obtain information through SEDAR+ (www.sedarplus.ca). In the event of cancellation under the general regime, the consequences set forth in items (a), (c) and (d) shall apply, but the absent or dissenting shareholders shall be entitled to participate in the OPA for the cancellation described above.

Investors are encouraged to consider these risks and to consult their legal and/or financial advisors before acquiring the Common Shares.

WARNINGS

THE PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR AN INVITATION BY OR ON BEHALF OF THE ISSUER OR THE STRUCTURER TO SUBSCRIBE FOR OR PURCHASE ANY OF THE SECURITIES DISCUSSED HEREIN.

THE RETURN ON INVESTMENTS IN SHARES IS SUBJECT TO THE PERFORMANCE OF THE STOCK MARKET, THE COMPANY'S DIVIDEND POLICY AND ITS FINANCIAL PERFORMANCE. THERE IS NO GUARANTEED RATE OF RETURN.

BEFORE MAKING A DECISION TO INVEST IN COMMON SHARES, OR ANY OTHER EQUITY SECURITY, THE INVESTOR SHOULD ASSESS THE LEVEL OF RISK THEY ARE WILLING TO TAKE WITHIN THEIR PORTFOLIO, AND THE PROPORTION OF EQUITY SECURITIES THEY ARE WILLING TO INCLUDE IN THEIR PORTFOLIO, IN ACCORDANCE WITH THEIR INVESTMENT PROFILE, THE SIZE OF THEIR PORTFOLIO AND THEIR ECONOMIC CAPACITY.

INVESTMENT IN THE COMMON SHARES CARRIES THE RISK OF LOSS OF THE PRINCIPAL INVESTED.

THE REGISTRATION OF THE SHARES IN THE RNVE AND ON THE BVC WAS AUTHORIZED BY THE BOARD OF DIRECTORS OF THE COMPANY AT A MEETING HELD ON JULY 30, 2026.

THE TRADING OF THE SHARES ON THE BVC SHALL BE CARRIED OUT IN ACCORDANCE WITH THE APPLICABLE SECURITIES MARKET REGULATIONS.

CAUTIONARY STATEMENTS

FORWARD-LOOKING STATEMENTS

Certain information regarding Parex set forth in this document, including management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "continue", "predict", "anticipate", "shall", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Parex's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production and development, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies. Many factors could cause Parex's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex.

In particular, forward-looking statements included in this Prospectus include, but are not limited to, statements with respect to:

- the Company's operational strategy, plans, priorities and focus;
- the registration of the Shares in the RNVE and their subsequent registration on the BVC;
- the expected operating procedures and deadlines in connection with the exercise of participation, voting and economic rights of the Shares by Investors in Colombia;
- Parex's guidance for 2026 production and capital expenditures;
- Parex's expectation to provide a total shareholder return, while investing in the Company's assets;
- Parex's expectations that its transportation expense will fluctuate period over period due to the mix of sales contract types in force during the period;

- the terms and purpose of the Company's credit facility including the timing of the next annual review;
- the Company's plan to draw on the credit facility at various times as needs arise;
- the Company's expectation that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities;
- the Company's expectation that its dividend is sustainable under a varying commodity price environment;
- the anticipated present value costs required to settle the Company's decommissioning and environmental liability cost;
- expectations regarding the integration of the Frontera E&P assets and realization of anticipated synergies and benefits therefrom;
- expectations to seek an extension of the Quifa Association Contract;
- expectations regarding Parex's participation in the Casabe and Llanito blocks in the Magdalena Basin under its business collaboration with Ecopetrol, including expectations regarding when Parex's base production participation will begin and the current approximate production levels;
- expectations regarding the identification and capture of operational and strategic synergies from the Frontera Acquisition, including in marketing, supply chain, tax and other functions, and the expected timing of realizing associated benefits;
- the Company's risk management strategy; and
- Parex's plans of deploying its long-lead material inventory over the coming years.

Statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future. The recovery and reserve estimates of Parex's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual results may differ materially from those anticipated in the forward-looking statements.

These forward-looking statements are subject to numerous risks and uncertainties. Such risks and uncertainties include, among others, those discussed in Section 5 – "Issuer Risk Information" of this Prospectus, as well as the following: the impact of general economic conditions in Canada and Colombia; an unpredictable trade and tariff environment; prolonged volatility and fluctuations in commodity prices; industry conditions, including changes in laws and regulations, such as the adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; determinations by the Organization of Petroleum Exporting Countries and other countries regarding production levels; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; inaccuracies in reserve, resource and revenue estimates; incorrect forecasts of the production and growth potential of Parex's assets; obtaining required approvals from regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments, as well as country risk associated with conducting international activities; social disruption and instability; fluctuations in foreign exchange rates or interest rates; geopolitical disruption, including the U.S.-Iran conflict and the consequences arising therefrom; environmental risks; changes in income tax laws or other tax laws, royalty regimes and incentive programs relating to the oil and natural gas industries; the ability to access sufficient capital from internal and external sources; the risk that the Company will not be able to obtain contract extensions, including for the Quifa Association Contract, or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties;

the risk of failing to achieve the anticipated benefits associated with acquisitions, including the integration of the Frontera E&P assets; failure of counterparties to perform under the terms of their contracts; changes in pipeline capacity; the risk that Brent oil prices may be lower than anticipated; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities may not be consistent with its expectations; the risk that Parex may not have sufficient financial resources in the future to make distributions to its shareholders; the risk that the Board of Directors may not declare dividends in the future and that there may be no growth in the base dividend or that Parex's dividend policy may change; the risk that Parex's risk management strategy may not be an effective means of managing and forecasting cash flow; the risk that Parex may not respond to changes in commodity prices; the risk that the Company's capital and operating expenditures relating to environmental protection may be greater than anticipated; the risk that Parex may not meet its production or capital expenditure guidance for the year ended December 31, 2026; the risk that the Company's environmental strategies may not be successful and that the Company may not remain in material compliance with environmental protection legislation; risks related to constraints on power supply, volatility in energy costs and water availability in Colombia; the risk that Parex may not deploy its long-lead inventory when anticipated; the risk that Parex may not be successful in attracting and retaining qualified successors to senior officers in the event of departure; risks related to technology and cybersecurity; risks related to the Ecopetrol partnership in the Magdalena Basin and satisfaction of the conditions of the arrangement relating thereto; and other factors, many of which are beyond the Company's control. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations, business environment and financial results is included in the Company's Annual Information Form for the year ended December 31, 2025 and in reports filed with Canadian securities regulatory authorities, and may be accessed through the SEDAR+ website (www.sedarplus.ca) or Parex's website at www.parexresources.com.

Although the forward-looking statements contained in this Prospectus are based upon assumptions which management believes to be reasonable, the Company cannot assure Investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Prospectus, Parex has made assumptions regarding, but not limited to: current and anticipated commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to areas of the Company's operations and infrastructure; future exchange rates; the price of oil, including the anticipated "Brent" oil price (an internationally recognized benchmark crude oil produced from North Sea fields, the price of which serves as a key benchmark for crude oil pricing in international markets, including Europe, Africa and much of Asia); the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies and environmental legislation on the Company's operations; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; royalty rates; future operating costs; the status of litigation; timing of drilling and completion of wells; receipt of partner, regulatory and community approvals; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; that Parex's evaluation of its existing portfolio of development and exploration opportunities is consistent with its expectations; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; the successful integration of the Frontera E&P assets and the realization of anticipated synergies and benefits therefrom; the realization of anticipated benefits from the Ecopetrol partnership in the Magdalena Basin; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources to pay dividends and acquire shares pursuant to its normal course issuer bid in the future; that strip prices will remain unchanged; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves. Forward-

looking statements and other information contained herein concerning the oil and natural gas industry in the countries in which the Company operates and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management has included the above summary of risks and assumptions related to forward-looking statements and other information provided in this Prospectus in order to provide shareholders and Investors with a more complete perspective on Parex's current and future operations and such information may not be appropriate for other purposes. Parex's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Parex will derive therefrom.

These forward-looking statements are made as of the date of this Prospectus and Parex disclaims any intent or obligation to publicly update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws.

This Prospectus contains information that may constitute a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to Parex's 2026 guidance, including its anticipated production and capital expenditures. All of such statements are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this Prospectus and such variations may be material. This information has been provided for illustration only and with respect to future periods is based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this Prospectus was made as of June 30, 2026 and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this Prospectus is not conclusive and is subject to change, and should not be used for purposes other than for which it is disclosed herein.

NON-GAAP AND OTHER FINANCIAL MEASURES ADVISORY

This Prospectus uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this Prospectus.

Non-GAAP Financial Measures

Capital expenditures, is a non-GAAP financial measure which the Company uses to describe its capital costs associated with oil and gas expenditures. The measure considers both property, plant and equipment expenditures and exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period and is calculated as follows:

($000s)	For the three months ended June 30		For the six months ended June 30	
	2026	2025	**2026**	2025
Property, plant and equipment expenditures	**69,131**	49,067	**117,413**	94,018
Exploration and evaluation expenditures	**64,562**	39,623	**107,323**	51,726
Capital expenditures	**133,693**	88,690	**224,736**	145,744

	For the three months ended					
($000s)	March 31, 2026	December 31, 2025	September 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Property, plant and equipment expenditures	48,282	47,575	59,002	44,951	62,799	68,406
Exploration and evaluation expenditures	42,761	37,045	20,959	12,103	19,311	13,961
Capital expenditures	91,043	84,620	79,961	57,054	82,110	82,367

EBITDA, is a non-GAAP financial measure that is defined as net income adjusted for finance income and expense, other expense, income tax expense and depletion, depreciation and amortization. The Company considers EBITDA to be a key measure as it demonstrates Parex's profitability before finance income and expenses, taxes, depletion, depreciation and amortization and other non-cash items. See Section 7.5 – Information on EBITDA in the Last Three Years and for the Three Months Ended June 30, 2026, for a reconciliation from net income to EBITDA.

Adjusted EBITDA, is a non-GAAP financial measure defined as EBITDA adjusted for non-cash impairment charges, share-based compensation expense, gain on acquisition, transaction costs, non-cash inventory fair value adjustment, unrealized foreign exchange gains (losses) and unrealized gains (losses) on risk management contracts and marketable securities. A reconciliation from net income to Adjusted EBITDA is as follows:

($000s)	For the three months ended June 30	
	2026	2025
Net income	444,296	49,113

($000s)	For the three months ended June 30	
Finance income	(2,740)	(612)
Finance expense	17,219	5,474
Other expense	8,970	12,453
Income tax expense (recovery)	(42,576)	9,623
Depletion, depreciation and amortization	62,382	47,949
EBITDA	487,551	124,000
Share-based compensation expense	(341)	6,476
Gain on acquisition	(302,483)	-
Transaction costs	28,390	-
Non-cash inventory fair value adjustment	9,365	-
Unrealized foreign exchange gain	(2,217)	(2,369)
Unrealized gain on commodity risk management contracts	(30,635)	(362)
Unrealized (gain) loss on marketable securities	2,433	-
Adjusted EBITDA	192,063	127,745

Free funds flow, is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow to be a key measure as it demonstrates Parex's ability to fund return of capital, such as the normal course issuer bid and dividends, without accessing outside funds and is calculated as follows:

($000s)	For the three months ended June 30		For the six months ended June 30	
	2026	2025	2026	2025
Cash provided by operating activities	199,235	142,642	223,321	230,020
Net change in non-cash assets and liabilities	(67,181)	(37,821)	22,435	(3,255)
Funds flow provided by operations	132,054	104,821	245,756	226,765
Capital expenditures, excluding corporate acquisitions	133,693	88,690	224,736	145,744
Free funds flow	(1,639)	16,131	21,020	81,021

Operating netback, is a non-GAAP financial measure that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales from production, less purchased crude oil, royalties, production, and transportation expense.

($000s)	For the three months ended June 30		For the six months ended June 30	
	2026	2025	**2026**	2025
Oil and natural gas sales	**466,016**	239,070	**737,393**	504,705
Purchased crude oil	**(36,709)**	30	**(36,756)**	(162)
Oil and natural gas sales, net of purchased crude oil	**429,307**	239,100	**700,637**	504,543
Royalties	**(72,961)**	(30,913)	**(109,749)**	(67,318)
Net revenue	**356,346**	208,187	**590,888**	437,225
Production expense	**(90,766)**	(49,492)	**(148,082)**	(106,350)
Transportation expense	**(34,019)**	(17,421)	**(54,276)**	(34,239)
Operating netback	**231,561**	141,274	**388,530**	296,636

Non-GAAP Ratios

Operating netback per boe, is a non-GAAP ratio that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback per boe as operating netback divided by the total equivalent produced oil and gas sales volumes before consumption for oil and natural gas sales price, oil and natural gas sales price, net of purchased crude oil, royalties, production and transportation expense per boe.

Capital Management Measures

Funds flow provided by operations, is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash assets and liabilities. The Company considers funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after all cash costs. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:

($000s)	For the three months ended June 30		For the six months ended June 30	
	2026	2025	2026	2025
Cash provided by operating activities	199,235	142,642	223,321	230,020
Net change in non-cash assets and liabilities	(67,181)	(37,821)	22,435	(3,255)
Funds flow provided by operations	132,054	104,821	245,756	226,765

($000s)	For the three months ended					
	March 31, 2026	December 31, 2025	September 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Cash provided by operating activities	24,086	107,744	86,992	87,621	67,847	181,874
Net change in non-cash assets and liabilities	89,616	15,178	18,306	34,323	73,354	(30,101)
Funds flow provided by operations	113,702	122,922	105,298	121,944	141,201	151,773

Working capital surplus (deficit), is a capital management measure which the Company uses to describe its liquidity position and ability to meet its short-term liabilities. Working capital surplus (deficit) is defined as current assets less current liabilities:

($000s)	As at June 30,	
	2026	2025
Current assets	602,247	239,485
Current liabilities	685,469	219,437
Working capital (deficit) surplus	(83,222)	20,048

($000s)	As at					
	March 31, 2026	December 31, 2025	September 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Current assets	411,425	273,994	224,109	259,256	245,943	248,208
Current liabilities	275,919	245,967	227,276	190,216	186,546	210,699
Working capital surplus (deficit)	135,506	28,027	(3,167)	69,040	59,397	37,509

Net debt (net cash), is a capital management measure which the Company uses to monitor leverage and manage capital. Net debt (net cash) is defined as working capital, less bank debt, unsecured notes and long-term customer prepayments:

($000s)	As at June 30,

	2026	2025
Working capital deficit (surplus)	83,222	(20,048)
Bank debt	-	18,000
Unsecured notes	792,265	-
Customer prepayments – long-term	31,111	-
Net debt (net cash)	906,598	(2,048)

($000s)	As at					
	March 31, 2026	December 31, 2025	September 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Working capital (surplus) deficit	(135,506)	(28,027)	3,167	(69,040)	(59,397)	(37,509)
Bank debt	175,200	33,000	10,000	50,000	60,000	30,000
Net debt (net cash)	39,694	4,973	13,167	(19,040)	603	(7,509)

Supplementary Financial Measures

"**Production expense per boe**" is comprised of production expense, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

"**Transportation expense per boe**" is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

OIL AND GAS MATTERS ADVISORY

This Prospectus contains a number of oil and gas metrics, including operating netbacks. These oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this Prospectus, should not be relied upon for investment or other purposes.

The term "Boe" means a barrel of oil equivalent on the basis of 6 thousand cubic feet ("Mcf") of natural gas to 1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil

as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

Reserves are estimates of remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable.

Reserves are classified according to the degree of certainty associated with the estimates:

- proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves; and
- probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:

- Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
    - Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
    - Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved or probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

The qualitative certainty levels referred to in the definitions above are applicable to "individual reserves entities," which refers to the lowest level at which reserves calculations are performed, and to "reported reserves," which refers to the highest level or the sum of individual entity estimates for which reserves are

presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification for the classification of reserves and the certainty levels associated with reserves estimates is provided in the COGE Handbook.

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GLOSSARY

For the purposes of this Prospectus, the following words and expressions used in this Prospectus shall have the meanings assigned to them below, in the plural or singular, unless other parts of this Prospectus expressly give them a different meaning.

ABCA: the Business Corporations Act (Alberta), as amended, and the regulations promulgated thereunder, the corporate legislative framework applicable to companies incorporated and established under the laws of the Province of Alberta, Canada.

SHARE or **COMMON SHARE**: a common share in the capital of the Company.

OUTSTANDING SHARES: the Shares issued and placed by the Company and held by shareholders for free trading.

ACQUISITION AGREEMENT: the arrangement agreement dated March 10, 2026 among the Company, the Buyer and Frontera, pursuant to which the Buyer acquired all of the issued and outstanding common shares of Frontera E&P.

FRONTERA ACQUISITION: the acquisition by the Buyer, a wholly-owned subsidiary of the Company, of all issued and outstanding common shares of Frontera E&P through a court-approved plan of arrangement under the Business Corporations Act (British Columbia), in accordance with the terms of the Acquisition Agreement.

TRANSFER AGENT: Odyssey Trust Company acts as the Issuer's transfer agent and registrar in Canada. In this capacity, it is the entity responsible for maintaining the Issuer's shareholder registry in Canada, reflecting transfers of Shares in accordance with Canadian law and applicable rules, and coordinating, as appropriate, with the depository and custody systems (including CDS) the updating of the records related to the Shares. In addition, the Transfer Agent is responsible for informing the International Depository of the movements of the Shares, issuing certifications on Outstanding Shares and making the corresponding entries in the shareholders' registry. The Transfer Agent's address is: 1230, 300 – 5th Avenue S.W., Calgary, Alberta T2P 3C4, Canada.

ANH: Colombia's National Hydrocarbons Agency, the governmental authority responsible for the administration, promotion and management of the nation's hydrocarbon resources, including the awarding and administration of E&P Contracts, the conduct of bid rounds, and the oversight of contractor compliance under applicable Colombian law.

ANLA: the National Environmental Licensing Authority, a government entity in the Republic of Colombia in charge of granting or denying environmental licences, permits and procedures under the competence of the Ministry of Environment and Sustainable Development.

ESG: means environmental, social and governance matters.

BCA: business collaboration agreements entered into with Ecopetrol where parties combine resources and experience to carry out commercial activities related to the exploration, evaluation, production and development of hydrocarbons.

STOCK EXCHANGE: an entity whose purpose is to maintain the operation of a duly organized securities market that provides Investors, intermediaries and issuers with conditions of security, integrity, fairness, transparency and equality, in accordance with Decree 2555 of 2010, in which participants with liquidity deficits and participants with liquidity surpluses come together to carry out transactions.

COLOMBIAN STOCK EXCHANGE or **BVC**: is the Bolsa de Valores de Colombia S.A., a provider of private infrastructure, constituted to manage the stock, derivatives and fixed income market of the Colombian securities market.

CAD$**, **C$ or **CAD**: Canadian dollars, the legal currency of Canada.

INTERNATIONAL CUSTODIAN: the international entity selected by DECEVAL for the custody and administration of the Company's Shares abroad, including the recordkeeping of Investors' positions in Colombia and the processing of corporate actions, dividends and other rights associated with the Shares.

STOCKBROKERAGE FIRMS: entities supervised by the SFC, which allow access to the purchase/sale of Shares. With representative offices at the national level, they are professionals who are experts in obtaining and distributing financial resources. Through them, individuals and legal entities can learn about the range of investment alternatives offered by the market and receive advice in making investment decisions, so that through these companies the securities that Investors resident in Colombia wish to acquire will be acquired. Stockbrokerage firms have a duty to advise their clients before carrying out any operation, under the terms and conditions provided for in the applicable regulation.

BUYER: means Parex AcquisitionCo Inc., a wholly-owned subsidiary of Parex, which acted as acquirer of Frontera E&P under the Acquisition Agreement.

QUIFA CONDITION: the condition set forth in the Acquisition Agreement pursuant to which Parex and the Buyer must use reasonable commercial efforts to extend the Quifa Association Contract within 12 months of the closing of the Frontera Acquisition. Compliance with this condition results in the additional contingent payment of $25 million to Frontera.

QUIFA ASSOCIATION CONTRACT: the E&P Contract entered into between Ecopetrol and Sabana Colombia on December 22, 2003 with respect to the Quifa block, which includes the Quifa SW, Cajua and Jaspe commercial fields. Under it, Frontera is entitled to receive 60% and Ecopetrol 40% of the production of each commercial field (after deducting applicable government royalties). It is scheduled to expire in December 2031.

ASSOCIATION CONTRACT: the legacy hydrocarbon contracts entered into by Ecopetrol with companies under Colombia's prior contracting regime (prior to the creation of the ANH) pursuant to which the parties jointly undertake exploration, appraisal, development and/or production activities within a defined contract area or block in Colombia, and allocate participation interests, cost recovery/production sharing, operatorship, and other responsibilities in accordance with that prior regime and applicable regulations.

E&P CONTRACT: the exploration and production contracts entered into with the ANH that grant companies the rights to explore for, appraise, develop and produce hydrocarbons within a defined contract area, together with all related work commitments, guarantees and fiscal terms relating thereto.

CONVENIO: a contract used by the ANH for areas directly operated by Ecopetrol, which mirrors the terms of the E&P Contract but excludes the ANH's economic rights and allows production to continue until the field's economic limit.

CANADA-COLOMBIA CONVENTION: is the Convention between Canada and the Republic of Colombia for the Avoidance of Double Taxation and for the Prevention of Tax Evasion in Relation to Income Tax and Wealth Tax, together with its Protocol, made in Lima on November 21, 2008, approved in Colombia by Law 1459 of 2011 and entered into force on June 12, 2012.

DECEVAL: is the Depósito Centralizado de Valores de Colombia Deceval S.A., the entity responsible for reflecting, through book entries, the positions of Investors in Colombia in the Shares, as well as for the clearing, settlement and transfer of securities and cash resulting from transactions carried out in Colombia in the Shares. In addition, it is responsible for providing the mechanisms that enable domestic intermediaries/Direct Depositors to formalize transfers of Shares instructed by Investors.

DIRECT DEPOSITORS: the entities that, in accordance with the operations regulations of DECEVAL approved by the SFC, can directly access its services and have signed the securities deposit agreement, either in their name and on their own account and/or in the name and on behalf of third parties.

INTERNATIONAL DEPOSITORY or **CDS**: entity in charge of the custody, administration, clearing, settlement and transfer of securities in Canada (CDS Clearing and Depository Services Inc.) both domestically and cross-border. This entity is located at 85 Richmond Street West, Toronto, Ontario M5H 2C9. Phone: (416) 365-8400.

EBITDA: a non-GAAP financial measure that is defined as net income adjusted for finance income and expense, other expense, income tax expense and depletion, depreciation and amortization. See "Non-GAAP and Other Financial Measures Advisory".

ADJUSTED EBITDA: a non-GAAP financial measure defined as EBITDA adjusted for non-cash impairment charges, share-based compensation expense, gain on acquisition, transaction costs, non-cash inventory fair value adjustment, unrealized foreign exchange gains (losses), and unrealized gains (losses) on risk management contracts and marketable securities. See "Non-GAAP and Other Financial Measures Advisory".

ECOPETROL: Ecopetrol S.A., Colombia's state-controlled oil and gas company (and national oil company), engaged in the exploration, production, transportation, refining and marketing of hydrocarbons in Colombia and internationally.

TAX STATUTE: the body of rules enacted by Decree 624 of 1989, as amended from time to time, which compiles and organizes the rules having force of law relating to taxes administered by the Colombian National Tax and Customs Authority (DIAN), including provisions on income and complementary taxes, value-added tax (VAT), withholding tax, taxpayers' formal obligations, tax procedure, penalties, audits, official assessments, administrative appeals, refunds and offsets, and enforced collection.

FOP: a securities transfer method whereby securities are delivered or moved between accounts or participants in the depository and clearing system without a simultaneous transfer of funds associated with the transaction.

FRONTERA E&P: Sabana Petroleum International Holdings B.V. (formerly Frontera Petroleum International Holdings B.V., with the name change becoming effective on September 2, 2026), a company incorporated in the Netherlands and a subsidiary of the Buyer, which owns Frontera's former upstream business in Colombia, including all of its oil and gas exploration and production assets in Colombia, its reverse osmosis water treatment plant and its oil palm plantation. Before the Frontera Acquisition, it was a wholly-owned subsidiary of Frontera and is currently a wholly-owned subsidiary of Parex.

FRONTERA: Frontera Energy Corporation, a corporation incorporated under the laws of the Province of British Columbia, Canada.

GAAP: means generally accepted accounting principles for publicly accountable enterprises in Canada, which are currently in accordance with International Financial Reporting Standards.

GHG: means greenhouse gases that contribute to the greenhouse effect and climate change by trapping heat in the atmosphere, including, but not limited to, carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). GHG emissions are commonly measured in tonnes of carbon dioxide equivalent (tCO_2e).

IMC: refers to a foreign exchange market intermediary.

OPERATING INSTRUCTIONS: the document containing the operational procedures, technical guidelines and conditions applicable to the trading, clearing, settlement, payment of dividends, exercise of the economic and political rights of the Shares, and other transactions relating to the Shares listed on the BVC. Such instructions, and any updates thereto, will be disclosed to the market through the channels authorized

by the BVC and, where applicable, by the Company, and may be updated periodically by the BVC and/or the participants in the operating structure.

INVESTORS: natural or legal person who makes investments through the public securities market, in order to allocate its resources efficiently and obtain a return.

BOARD OF DIRECTORS or **BOARD**: the board of directors of the Company.

LAW OF CIRCULATION: mechanism or form through which the ownership of a security is transferred. The Law of Circulation of Common Shares in Colombia is nominative.

CANADIAN TAX ACT: the Income Tax Act (Canada), R.S.C. 1985, c. 1 (5th Supp.), together with the regulations thereunder, as amended from time to time, which constitutes the principal federal legislation governing income taxation of individuals, corporations, trusts and partnerships in Canada, including rules applicable to Canadian non-residents in respect of income, capital gains, dividends, withholding taxes and other tax consequences arising from investments in Canadian securities.

COGE HANDBOOK: Canadian Oil and Gas Evaluation Handbook maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time.

MAIN MARKET: the market composed of natural and/or legal persons without any restriction as to their capacity to acquire or trade, who are the addressees of the offering and trading of securities registered in the RNVE in Colombia.

SECONDARY MARKET: refers to the purchase and sale of outstanding shares, once they have been issued and placed.

NETBACK: a financial and operating measure used in the hydrocarbons industry that represents the net revenue generated per unit of oil or gas production, calculated as sales revenue less royalties, production costs, transportation costs and other directly attributable operating costs. Netback is used to assess the profitability of a company's assets and operations.

NETBACK PREMIUM: the excess or positive difference between the Netback achieved by a company, asset or product and a benchmark, market average or comparable asset. Netback Premium is used as an indicator of operating performance and reflects the ability to generate higher net revenue per unit of production compared with peers or market benchmarks.

NI 52-110: means National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators.

IFRS: means International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), as amended from time to time, which constitute the accounting framework applicable to public companies in Canada.

FOREIGN EXCHANGE NON-RESIDENT: is the natural or legal person who does not qualify as a Foreign Exchange Resident. In particular, Article 2.17.1.2. of Decree 1068 of 2015, as amended by Decree 119 of 2017, establishes that the following are considered non-residents:

a) Colombian nationals or foreigners who do not meet the condition of permanence in the definition of Foreign Exchange Resident (stay of more than 183 continuous or discontinuous days, including the days of entry into and exit from the country, in a period of 365 consecutive calendar days).

b) Legal persons that do not have their principal domicile within the national territory, including those that are not for profit, and

c) Other entities that do not have legal personality or domicile within the national territory.

INVESTOR SERVICE OFFICE: the Investor service space designated by the Issuer.

PAREX RESOURCES INC. or **PAREX** or the **COMPANY** or the **ISSUER**: the issuer of the securities registered in the RNVE. The Issuer shall have the following obligations: (i) to provide all information about the Company; (ii) to guarantee access to and updating of the Company's financial, economic, accounting, legal and administrative information; (iii) to warn authorized Investors about the characteristics, rights, obligations, restrictions and risks inherent in this type of investment; (iv) to inform and attach the management certificates and the custody agreement for the Shares to be listed; and (v) to comply with the obligations imposed on issuers registered with the RNVE in Colombia.

PESO or **COP**: Colombian pesos, the legal currency of the Republic of Colombia.

PROSPECTUS: this document, which contains information on the Issuer and the Shares, under the terms of article 5.2.1.1.4 of Decree 2555 of 2010.

FOREIGN EXCHANGE RESIDENT: in accordance with Article 2.17.1.2. of Decree 1068 of 2015, as amended by Decree 119 of 2017, residents are all natural persons who live in the national territory or foreigners who remain continuously or discontinuously in the country for more than one hundred and eighty-three (183) calendar days, including the days of entry and exit from the country, during a period of three hundred and sixty-five (365) consecutive calendar days. Likewise, public law entities, legal persons, including non-profit entities, that are domiciled in Colombia and branches established in the country of foreign companies are considered residents.

RNVE: is the National Registry of Securities and Issuers administered by the SFC where the classes and types of securities are registered, as well as the issuers thereof and the issues they make, and certifies matters related to the registration of such issuers, classes and types of securities.

SABANA COLOMBIA: Sabana Resources Corp. (formerly Frontera Energy Colombia Corp., with the name change becoming effective on September 10, 2026), a company incorporated in Switzerland and a wholly-owned subsidiary of Frontera E&P, which carries out oil and gas exploration and production activities in Colombia through its Colombian branch, Sabana Resources Corp., Sucursal Colombia (formerly Frontera Energy Colombia Corp., Sucursal Colombia, with the name change becoming effective on September 24, 2026). Prior to the Frontera Acquisition, it was an indirect wholly-owned subsidiary of Frontera and is currently an indirect wholly-owned subsidiary of Parex.

FINANCIAL SUPERINTENDENCE OF COLOMBIA or **SFC**: the Financial Superintendence of Colombia, a technical body attached to the Ministry of Finance and Public Credit, which, among other functions, is dedicated to preserving the stability of the financial system, confidence and transparency of the Colombian securities market.

CANADIAN NON-RESIDENT HOLDER: refers to a holder of the Common Shares who, at all times relevant, for purposes of the Canadian Tax Act: (i) deals at arm's length with the Company and is not affiliated with the Company; (ii) is the beneficial owner of the Common Shares, including the right to all amounts distributed thereon; (iii) holds or will hold its Common Shares as capital property; (iv) is not resident in or deemed resident in Canada; and (v) does not use or hold (and is not deemed to use or hold) its Common Shares in connection with any business carried on in Canada.

TORONTO STOCK EXCHANGE or **TSX**: is the Toronto Stock Exchange. With offices in Vancouver, Calgary, Toronto, and Montreal, it is a stock exchange that offers services throughout Canada. The Toronto Stock Exchange is owned and operated by TMX Group Limited. It is the Stock Exchange where the Shares are registered and traded.

UNITS OF MEASURE: the units of measure used in this Prospectus, in accordance with the conventions of the oil and gas industry in Alberta, Canada, and the disclosure requirements of National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators, are as follows:

- "**bbl**" means barrel, a unit of volume equal to 42 U.S. gallons (approximately 159 litres).
- "**bbl/d**" means barrels per day.
- "**boe**" means barrel of oil equivalent, determined using a conversion ratio of 6 Mcf of natural gas to 1 bbl of oil. A boe may be misleading, particularly if used in isolation. The conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method applicable primarily at the burner tip and does not represent a value equivalency at the wellhead.
- "**boe/d**" means barrels of oil equivalent per day.
- "**bwpd**" means barrels of water per day.
- "**GJ**" means gigajoule, a unit of energy equal to one billion joules.
- "**API gravity**" means the measure of crude oil density established by the American Petroleum Institute. Higher values indicate lighter crude oil.
- "**km**" means kilometre, a unit of length equal to 1,000 metres.
- "**Mboe**" means thousand barrels of oil equivalent.
- "**Mcf**" means one thousand cubic feet of natural gas at standard conditions.
- "**MMbbls**" means millions of barrels.
- "**MMboe**" means millions of barrels of oil equivalent.
- "**MMbtu**" means millions of British Thermal Units, a unit of energy used to measure the energy content of natural gas.
- "**MMcf**" or "**MMcf/d**" means millions of cubic feet of natural gas, or millions of cubic feet of natural gas per day, respectively.
- "**USD/MMbtu**" means U.S. dollars per million British Thermal Units.
- "**WTI**" means West Texas Intermediate, a grade of crude oil commonly used as a benchmark for oil prices.
- "**1P**" means Proved Reserves, as defined in the COGE Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.
- "**2P**" means Proved plus Probable Reserves, as defined in the COGE Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities

US$ or **USD**: is the dollar of the United States of America.

EQUITY VALUE: is the product of dividing the Company's equity by the number of outstanding Shares.

1. ABSTRACT

1.1 ISSUER IDENTIFICATION

1.1.1 ISSUER

Parex Resources Inc.

1.1.2 ADDRESS

2700, 585 - 8th Avenue S.W., Calgary, Alberta T2P 1G1.

1.1.3 BRANCHES

The Company's head office is located at 2700, 585 - 8th Avenue S.W., Calgary, Alberta T2P 1G1 and the Company's registered office is located at 3400, 888 Third Street S.W., Calgary, Alberta, T2P 5C5, Canada. The operational headquarters are located at Calle 113 No. 7 – 21, Of. 611 Edificio Teleport, Torre A, in the city of Bogotá D.E., Colombia.

1.1.4 MAIN ACTIVITY

The Company, through its subsidiaries, is engaged in the exploration, development and production of oil and natural gas in South America; however, at present, all of its oil and natural gas production and reserves are located in Colombia. Parex's strategy is focused on onshore Colombia through three integrated pillars: exploitation and technology, near-field exploration and high-impact exploration, with a focus on capital discipline and risk-managed growth. The Company seeks to generate long-term value and sustainable returns for shareholders, supported by its reserve base, Netbacks and balance sheet, which it seeks to manage prudently to finance its operations and growth. In addition, the Company incorporates ESG considerations into its strategy and operations and maintains an active relationship with local communities in order to retain its social license to operate in Colombia.

Recent Transactions – Frontera Acquisition

On June 1, 2026, Parex completed the acquisition of all of the Colombian exploration and production assets of Frontera. See section 3.2.5 – Recent Transactions.

1.2 GENERAL INFORMATION ON THE SECURITIES

1.2.1 MARKET ON WHICH SECURITIES ARE TRADED

The Shares will be registered in the RNVE, in order to subsequently register them on the BVC. Through these registrations, the Issuer is not conducting a public offering of securities, but only the listing process of the Company. In this way, the Shares may be acquired by the general public in the Secondary Market through the BVC's transactional systems, exclusively with the intermediation of the Stockbrokerage Firms authorized for this purpose.

1.2.2 REGISTRATION METHOD

The securities will be registered in the RNVE.

1.2.3 CLASS OF SECURITIES

Common Shares.

1.2.4 LAW OF CIRCULATION

Nominative in Colombia.

1.2.5 PAR VALUE

In accordance with the Company's governing corporate statute (the ABCA), Parex Common Shares have no par value. Consequently, for the purposes of the registration and trading of the Shares in Colombia, a nominal value per share will not be indicated. This circumstance does not limit or affect the economic or participation and voting rights inherent in the Shares or their circulation in the Colombian market.

1.2.6 EQUITY VALUE PER SHARE

The Equity Value of the Company's Shares, based on the shareholders' equity in the Company's financial statements as of June 30, 2026, was USD 24.45 per share. See section 2.1.2 – Equity Value Per Share.

1.2.7 NUMBER OF COMMON SHARES OUTSTANDING

As at June 30, 2026, the Company had 96,180,254 Common Shares issued and outstanding.

1.2.8 RIGHTS ATTACHED TO THE SECURITIES

The Common Shares subject to registration in the RNVE and on the BVC are issued by the Issuer under the applicable laws of Alberta, Canada. Accordingly, the rights attaching to such Shares are governed by applicable Canadian law, the Issuer's constating documents, the rules of the TSX and other provisions applicable to the Issuer in its jurisdiction of incorporation.

The holders of Common Shares are entitled: (i) to dividends if, as and when declared by the Board of Directors; (ii) to vote at any meetings of the holders of Common Shares; and (iii) upon liquidation, dissolution or winding up of the Company, to receive the remaining property and assets of the Company. See section 2.1.4 – Rights of Shareholders.

The exercise of participation, voting and economic rights by Investors in Colombia will be subject to the operating procedures and deadlines that are applicable through the corresponding international deposit and custody structure, including the interaction between DECEVAL, the International Depository, the International Custodian, the Transfer Agent and the Stockbrokerage Firms or other authorized intermediaries. Consequently, Investors should consult with their Stockbrokerage Firm on the procedures, costs, deadlines and requirements applicable to the exercise of such rights from Colombia.

1.2.9 STOCK EXCHANGES ON WHICH SECURITIES ARE LISTED

The securities are listed on the TSX and will be listed on the BVC.

1.2.10 FINANCIAL INFORMATION

The annual financial information presented in this Prospectus is current as of December 31, 2025. The Company periodically reports quarterly financial information, and the quarterly financial information presented in this Prospectus is current as of June 30, 2026. The Company's annual and quarterly financial information can be consulted in SEDAR+ (www.sedarplus.ca), the RNVE through the website of the SFC (www.superfinanciera.gov.co), and/or on the website of the Issuer (www.parexresources.com).

1.2.11 CODE OF CONDUCT AND BUSINESS PRINCIPLES

Parex made the decision to adopt the highest standards of transparency in a way that provides confidence in its management and in the information that comes from the Company, transparency and security in the

markets in which it participates and protection to its shareholders. The Code of Conduct is published in English on the SEDAR+ (www.sedarplus.ca) system, under the name of the Company.

The purpose of the code is to have a framework through which the Company can develop its corporate purpose in an environment of integrity and compliance with the legislation and international standards of the hydrocarbons industry, in order to guarantee the rights of shareholders and the good management of relations with stakeholders and to detect, prevent and control possible conflicts of interest.

The Parex Code of Conduct addresses, among other matters, the following:

- values of the Company;
- conflicts of interest and corporate opportunities;
- confidentiality;
- protection of personal data;
- protection and proper use of Company assets;
- insider trading;
- fraud, bribery and corruption; and
- compliance with laws, rules and regulations.

2. INFORMATION ON THE SECURITIES

2.1 GENERAL INFORMATION ON COMMON SHARES

2.1.1 SECURITY CLASS

Common Shares.

2.1.2 EQUITY VALUE PER SHARE

The Equity Value per Share at the end of the Company's financial years ending December 31, 2024 and 2025 is set out below, as well as the Equity Value per Share as of June 30, 2026, based on the shareholders' equity in the Company's financial statements as of those dates.

	June 30, 2026	Dec 31, 2025	Dec 31, 2024
Equity Value (USD)	2,351,724,000	1,952,933,000	1,831,321,000
Shares Issued and Outstanding	96,180,254	95,974,136	98,339,036
Intrinsic Value per Share (USD)	24.45	20.35	18.62
Intrinsic value per share (in COP)	84,132.47	76,451.07	82,109.50

2.1.3 BASE SHARE PRICE ON THE BVC

The base price for the listing of the Company's Shares in the first trading session on the BVC will be determined based on the closing price of the Shares on the TSX on the day immediately prior to their listing on the BVC, converted at the official exchange rate of Canadian dollars (CAD) to Colombian Pesos (COP). To establish the base sale price in Pesos, the official Representative Market Rate (TRM) of the day prior to the registration of the Shares on the BVC will be used.

2.1.4 RIGHTS OF SHAREHOLDERS

The Common Shares subject to registration in the RNVE and on the BVC are issued by the Issuer under the applicable laws of Alberta, Canada. Accordingly, the rights attaching to such Shares are governed by applicable Canadian law, the Issuer's constating documents, the rules of the TSX and other provisions applicable to the Issuer in its jurisdiction of incorporation.

In accordance with the foregoing, each Common Share confers on its holder, on an equal basis with the other holders of Common Shares of the Issuer, the rights described below, subject in all cases to applicable law, to Parex's constating documents and to the operating procedures of the corresponding depositories, custodians, intermediaries and transfer agents:

(a) Voting rights. Each Common Share confers on its holder the right to one vote at the Issuer's shareholder meetings, on matters submitted to shareholders for consideration, in accordance with applicable Canadian law and Parex's constating documents.

(b) Right to participate in shareholder meetings. Holders of Common Shares shall have the right to receive notices, participate and vote at the Issuer's shareholder meetings, directly or through a proxy, under the terms provided for in applicable Canadian law, the Issuer's constating documents and the procedures established for that purpose by the Issuer, the Transfer Agent, the International Depository, the International Custodian, DECEVAL and local intermediaries.

(c) Right to receive dividends. Holders of Common Shares shall be entitled to receive, in proportion to their shareholding, the dividends declared by the Board of Directors of the Issuer, should the Board of Directors decide to declare them, in accordance with applicable Canadian law, the Issuer's constating documents, the dividend policy then in effect and the financial, operational and legal conditions existing at the time of the declaration. The declaration and payment of dividends is not guaranteed.

(d) Right to participate in the remaining assets in the event of liquidation. In the event of liquidation, the holders of Common Shares will have the right to receive the remaining property of the Company upon dissolution, once all preferential claims have been satisfied.

(e) Right to transfer shares. The Common Shares will be freely tradeable, subject to legal, regulatory, operational and market restrictions applicable in Canada and Colombia, including the rules of the TSX, the BVC, DECEVAL, the International Depository, the International Custodian, the Transfer Agent and authorized intermediaries.

(f) Right to receive information. Holders of Common Shares shall have the right to access the Issuer's public information disclosed pursuant to applicable Canadian laws and the rules of the TSX and, once the Shares have been registered in the RNVE and the BVC, to the information that the Issuer must disclose in Colombia in accordance with the regulation of the Colombian public securities market.

(g) Other corporate rights. Holders of Common Shares may exercise their other rights under applicable Canadian law and the Issuer's constating documents, including, to the extent applicable, rights related to corporate transactions, reorganizations, mergers, acquisitions, spin-offs, changes in control, or other corporate decisions that require shareholder approval or participation.

The exercise of participation, voting and economic rights by Investors in Colombia will be subject to the operating procedures and deadlines that are applicable through the corresponding international deposit and custody structure, including the interaction between DECEVAL, the International Depository, the International Custodian, the Transfer Agent and the Stockbrokerage Firms or other authorized

intermediaries. Consequently, Investors should consult with their Stockbrokerage Firm on the procedures, costs, deadlines and requirements applicable to the exercise of such rights from Colombia.

2.1.5 LAW OF CIRCULATION

The Shares are registered (nominative) in Colombia. Registration of the Shares will be maintained in Canada through CDS, with positions corresponding to Investors in Colombia reflected through book entries in DECEVAL. For transactions carried out on the BVC, transfer of ownership will be effected through book entries in DECEVAL, in accordance with the applicable regulations governing the Colombian securities depository system. See section 2.5 – Management of Shares and International Custody and section 2.6 – Share Trading.

2.1.6 OBLIGATIONS OF THE ISSUER

By virtue of its status as a reporting issuer in each of the provinces of Canada, the Issuer must report material changes, periodic information and year-end information, including quarterly and annual financial statements.

In addition, the Issuer must hold an annual meeting of shareholders.

By virtue of the fact that the Company is carrying out a local listing process before the RNVE and the BVC, the Issuer will be providing the relevant information through the mechanisms provided by Canadian regulations – through the SEDAR+ (www.sedarplus.ca) system – and by the mechanisms established by the SFC, through www.superfinanciera.gov.co.

For the purposes of Investor service, the Issuer has implemented the opening of a customer service office, through which shareholders may go for any information or clarification regarding the trading of the Shares in Colombia.

Parex has an Investor Service Office available in Canada with the following information:

Parex Resources Inc.
Mike Kruchten, Senior Vice President, Capital Markets & Corporate Planning
2700 Eighth Avenue Place, West Tower
585 8 Avenue SW, Calgary
AB T2P 1G1, Canada
Telephone: +1 4032654800
Email: investor.relations@parexresources.com

It will also maintain an office for Colombian residents at:

Parex Resources (Colombia) AG Sucursal
Calle 113 No. 7-21, Office 611
Teleport Building, Tower A
Bogotá, Colombia
Telephone: +57 6018418457
Email: investor.relations@parexresources.com

The Investor Relations function is responsible for overseeing the Company's communications and engagement with shareholders, investment analysts, and the broader investment community. Its responsibilities include supporting the preparation and dissemination of the Company's financial and operational disclosures; communicating the Company's strategy, performance and outlook; coordinating Investor meetings, conferences and other capital markets activities; monitoring market developments, Investor sentiment and shareholder activity; and providing relevant capital markets insights to senior management and the Board of Directors.

In addition, Parex Resources (Colombia) AG Sucursal, through the office for Colombian residents referred to above, will act as Parex's authorized representative in Colombia for purposes of receiving communications and notices and transmitting them to Parex's authorized persons in Canada, with the following powers: (i) Receipt of communications from authorities and investors. To receive communications addressed to Parex by the SFC, the BVC, DECEVAL S.A., Direct Depositors and other relevant public authorities, as well as Investors in Colombia, in connection with the registration of the Shares in the RNVE and on the BVC and the obligations arising from such registration, and to promptly transmit them to Parex's authorized persons in Canada. (ii) Receipt of judicial notices. To receive, on behalf of the Issuer and its estate, notices of judicial proceedings conducted in Colombia in connection with the registration of the Shares in the RNVE and the obligations arising from such registration, pursuant to item 4 of Article 6.11.1.1.2 of Decree 2555 of 2010, where Colombian jurisdiction applies, through the contact details of the office for Colombian residents set forth above, and to promptly transmit them to Parex's authorized persons in Canada.

For its part, pursuant to Article 5.2.4.3.7 of Decree 2555 of 2010, the Issuer has designated the following Parex authorized persons in Canada: (i) **Officer responsible for the provision of information:** Mike Kruchten who, in the exercise of the Investor Relations function, will be responsible for managing the preparation, submission, follow-up and timely compliance of periodic information reports and material information that the Issuer must provide to the SFC and the RNVE pursuant to Title 4 of Book 2 of Part 5 of Decree 2555 of 2010 and the instructions issued by the SFC, including, among others, year-end financial statements, interim financial statements and any other information required to be disclosed to the Colombian market; and (ii) **Compliance agent:** Candace Herman, who will be in charge of transmitting material information to the SFC through the mechanisms established for such purpose, and of ensuring compliance with the legal and regulatory obligations arising from the registration of the Shares in the RNVE and on the BVC, including disclosure duties, material information notices, updating information in the RNVE and any other obligation applicable to the Issuer under Colombian securities market regulations. In performing their duties, the responsible officer and the compliance agent will coordinate with each other, with the relevant areas of the Company and with the legal advisers designated for such purposes.

The mandate granted herein is understood to be conferred pursuant to Articles 5.2.4.1.1 et seq. of Decree 2555 of 2010 and the instructions contained in Chapter I of Title V of Part III of the SFC Basic Legal Circular, and any rules that replace or amend them, and will remain in effect for so long as the Shares remain registered in the RNVE and on the BVC, or until the Issuer designates another person to perform these functions by written communication addressed to the SFC. The contact information contained in this section may be modified by Parex when necessary, and any updates will be disclosed to the market through the material information mechanism.

2.1.7 OUTSTANDING SHARES

As at June 30, 2026, the Company had 96,180,254 Outstanding Shares.

2.1.8 PAR VALUE

In accordance with the Company's governing corporate statute (the ABCA), the Common Shares have no par value. Consequently, for the purposes of the registration and trading of the Shares in Colombia, a nominal value per share will not be indicated. This circumstance does not limit or affect the economic or voting and participation rights inherent in the Shares or their circulation in the Colombian market.

2.2 STOCK EXCHANGE OR SYSTEM WHERE THE SECURITIES ARE REGISTERED

The Shares are currently listed on the TSX and will be listed on the BVC, once their respective authorization has been granted by the SFC.

2.3 MEANS THROUGH WHICH INFORMATION OF INTEREST IS MADE KNOWN TO INVESTORS

The Prospectus and information for Investors are published on the Issuer's website (www.parexresources.com). The Issuer's public information in Canada, including financial reports, corporate information, annual reports, material information and other documents subject to disclosure under applicable Canadian laws, may be consulted through the SEDAR+ system (www.sedarplus.ca) or through any public information mechanism that replaces or supplements it.

SEDAR+ is Canada's System for Electronic Data Analysis and Retrieval, administered by the Canadian Securities Administrators (CSA), and is the primary public repository of information on publicly listed issuers in Canada. The foregoing is without prejudice to the disclosure obligations that will apply to the Issuer in Colombia once its Shares are registered in the RNVE and on the BVC, in accordance with the mechanisms established by the SFC (www.superfinanciera.gov.co).

2.4 TAX REGIME APPLICABLE TO LISTED SECURITIES

2.4.1 TAX REGIME APPLICABLE TO SHARES THAT ARE TRADED THROUGH THE BVC

The comments reflected in this section 2.4 are general in nature and are not intended to replace specific analyses applicable to certain types of Investors. These comments are based on Colombian tax legislation in force as of the date of this document. Therefore, they should not be construed as legal or tax advice with respect to any of the parties involved. In this regard, resident and non-resident Investors for tax purposes in Colombia should consult with their own tax advisors on the tax effects that may arise from the acquisition, holding or disposal of the Shares or the receipt of dividends, taking into consideration their particular circumstances.

For the purposes of this section, it is assumed that Parex is a foreign company with tax residence in Canada, which is not and is not considered a national company for Colombian tax purposes.

2.4.2 TAX REGIME APPLICABLE IN COLOMBIA TO INVESTMENTS IN SHARES

(a) Profit on the Sale of Shares

In accordance with current tax regulations, natural persons who are tax residents in Colombia and national companies and entities are subject to income tax and complementary taxes on their income and occasional gains from both national and foreign sources. On the other hand, non-resident natural persons and foreign companies and entities are only subject to income tax in Colombia with respect to their income and occasional gains from Colombian sources (without prejudice to the rules applicable to permanent establishments located in the country).

In the case of natural persons, Article 10 of the Tax Statute establishes the conditions under which a person is considered a tax resident in Colombia. Among other cases, tax residents are considered to be natural persons who remain continuously or discontinuously in the country for more than one hundred and eighty-three (183) calendar days, including the days of entry and exit, during any period of three hundred and sixty-five (365) consecutive calendar days. When the permanence falls on more than one taxable year, the person will be considered a tax resident from the second taxable year. The law also contemplates special residence criteria applicable to Colombian nationals, which must be analyzed on a case-by-case basis.

In accordance with the above, the definition of the source of an income, as well as the Investor's residence, are essential criteria to establish whether or not such income is taxed in Colombia for one or another type of shareholder (i.e., resident or non-resident).

Regarding the source of income, Article 24 of the Tax Statute clarifies that income originating from the sale of national companies is considered to be from a Colombian source. On the other hand, income from the sale of shares of non-Colombian companies is considered to be of foreign source.

In the case of shareholders who are tax residents in Colombia, the profit from the sale of Colombian or foreign shares is subject to income tax or occasional gains tax. In both cases, the profit will be the positive difference between the sale price of the Shares and their tax cost. The price, for tax purposes, may not differ significantly from the market value of the Shares (according to the parameters established in article 90 of the Tax Statute). In addition, if the parties to the sale are economically related, the transfer pricing regime may be applicable, which imposes additional charges and obligations to verify that the transaction was carried out under market conditions.

In general terms, and without prejudice to the special rules applicable to certain Investors, when the Shares are in the nature of fixed assets for the Investor and have been held for a period of less than two (2) years, the profit obtained on their disposal will be ordinary income. In this event, the profit will be taxed with income tax, at a rate of 35% in the case of national companies, or at a progressive rate of up to 39% in the case of individuals.

On the contrary, when the Shares are in the nature of fixed assets and have been held for two (2) years or more, the profit obtained on their sale will constitute an occasional gain and will be subject, as a general rule, to the rate of fifteen percent (15%), both for national companies and for natural persons who are tax residents in Colombia.

As the Shares are of a foreign company, we reiterate that the tax will be applicable only in the case of those Investors who are tax residents in Colombia.

In the case of foreign shareholders without residence or tax domicile in Colombia, the profit from the sale of shares issued by a foreign company constitutes foreign-source income and, therefore, is not subject to income tax or occasional gains tax in Colombia. In this regard, it is worth clarifying that the registration or negotiation of a foreign security in the Colombian securities market does not modify, by itself, the location of the asset or the source of the income it produces. Therefore, we consider that even if the Shares are registered, recorded or listed on the BVC, the income derived from their eventual disposal or sale will be from a foreign source and will only be taxed for those Investors who are tax residents in Colombia.

Notwithstanding the above, it is important to mention that Colombian law provides for a tax regime for the indirect disposal of Colombian assets. Under this rule, the sale of shares or participations in a foreign company may give rise to taxes in Colombia, if said company has, directly or indirectly, a certain interest in Colombian assets. Specifically, article 90-3 of the Tax Statute establishes that the indirect transfer of shares, rights or assets located in Colombia, carried out through the transfer of shares, participations or rights in a foreign entity, may be taxed in Colombia as if the underlying asset had been transferred directly in the country. Now, this regime of indirect disposals does not apply when: (i) the shares subject to the sale are registered on a stock exchange recognized by a government authority, (ii) said exchange has an active Secondary Market, and (iii) the shares are not concentrated in the same beneficial owner in more than twenty percent (20%). Nor will the indirect disposal regime be applicable when the assets located in Colombia represent less than twenty percent (20%) of the book value and commercial value of the total assets owned by the foreign entity transferred.

The application of these exceptions must be evaluated according to the particular circumstances of the respective Investor and the operation.

Now, as a special rule, article 36-1 of the Tax Statute establishes that profits from the sale of shares registered on a Colombian stock exchange, held by the same beneficial owner, do not constitute income or occasional gains, when the disposals made during the same taxable year do not exceed three percent (3%) of the Outstanding Shares of the respective company. In our view, this rule is applicable to the profit arising from the sale of Colombian or foreign shares, provided that the aforementioned conditions are met.

(b) Dividends

Without prejudice to the provisions of the Canada-Colombia Convention, dividends distributed by Parex to shareholders who are tax residents in Colombia constitute foreign-source income and are subject to Income Tax in Colombia.

In the case of natural persons who are tax residents in Colombia, dividends and participations from foreign companies and entities are taxed at the rate of 35%, in accordance with the provisions of Article 1.2.1.10.4 of Decree 1625 of 2016, and Articles 242 and 242-1 of the Tax Statute. The foregoing is without prejudice to the possibility of applying a tax discount for taxes paid abroad, in accordance with Article 254 of the Tax Statute. The same rules shall apply to domestic companies that receive dividends from foreign companies.

On the other hand, dividends distributed by Parex to shareholders who are not tax residents in Colombia will not be subject to Income Tax in Colombia, as they are dividends paid by a foreign company that, to that extent, will be considered income from a non-Colombian source.

2.4.3 CANADA-COLOMBIA CONVENTION

For the purposes of applying the Canada-Colombia Convention, it is important that Investors verify in each case that they meet the conditions set forth to have access to it (e.g., being subject to income tax in their jurisdiction of residence, so that they are considered tax residents in that country).

(a) Capital Gains

As a general rule, Article 13 of the Canada-Colombia Convention states that the state of residence of the owner of the shares shall have the right to tax the profit derived from their disposal. However, numeral 4 of the same article provides for some cases in which the state where the Shares are understood to be located may also tax such profit. Accordingly, there may be scenarios in which the proceeds from the sale of the Shares may be taxed in Canada, but whether or not taxes are applied in that jurisdiction must be analyzed in accordance with the law of that country.

In accordance with the foregoing, when shareholders who are Colombian tax residents dispose of Shares, the Canada-Colombia Convention maintains Colombia's taxing power to tax the profits generated. This, of course, is without prejudice to the special rules established by local law, such as the special rule provided for in article 36-1 of the Tax Statute, in relation to shares registered on the BVC.

On the other hand, in the case of shareholders who are not tax residents in Colombia, the profit from the sale of shares of foreign companies will not be taxed in the country, regardless of (i) the fact that they are or are not registered on the BVC, and (ii) the rules of the Canada-Colombia Convention.

(b) Dividends

In accordance with Article 10 of the Canada-Colombia Convention, dividends paid by a Canadian resident company, such as Parex, to a tax resident of Colombia may be taxed in Colombia. The Canada-Colombia Convention does not limit the rate of tax that Colombia, as the State of residence of the shareholder, may apply on such dividends.

(c) Elimination of Double Taxation

In accordance with Article 22 of the Canada-Colombia Convention, when a tax resident of Colombia obtains income or gains that, in accordance with the Canada-Colombia Convention, may be taxed in Canada, Colombia will allow the income tax paid in Canada to be credited against the income tax payable, subject to the limitations of Colombian domestic law.

Consequently, tax residents in Colombia who receive dividends from Parex may apply the tax discount provided for in Article 254 of the Tax Statute, provided that they meet the substantial and formal requirements established by law. The applicable discount may not exceed the portion of the Colombian tax attributable to income that may be taxed in Canada.

(d) Operational cycle for tax treaty benefits and tax refunds

Where applicable tax law, double taxation treaties and the operational procedures of the relevant market permit requesting a full or partial refund of withholding taxes or taxes imposed on dividends or other distributions, Investors may process such refund through the custody chain (CDS, International Custodian and DECEVAL), in accordance with the requirements, deadlines and conditions applicable in each case. The operational procedure for submitting tax refund requests is detailed in the Operating Instructions, which will be disclosed to the market through the channels authorized by the BVC and, where applicable, by the Company.

The availability of a refund, its amount, the deadlines for its recognition and payment, and the documentary requirements will depend on the applicable tax law, double taxation treaties in force, and the procedures of the competent authorities and the entities in the international custody chain. Accordingly, the availability, timing and amount of any potential refund cannot be guaranteed. Each Investor should consult their own tax advisors regarding the tax consequences of any withholding taxes imposed and of any refund they may receive.

2.4.4 CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The ownership and disposition of the Common Shares may have tax consequences in Canada. The following summary is for informational purposes only and does not constitute legal or tax advice. Holders of Common Shares should consult their own tax advisors regarding the implications of owning and disposing of the Common Shares, taking into account their particular circumstances.

The following is a summary of the principal tax consequences under the Canadian Tax Act for a holder of Common Shares who, at all relevant times, qualifies as a Canadian Non-Resident Holder.

The Common Shares will be considered capital property of a Canadian Non-Resident Holder provided that: (i) they have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade, and (ii) the holder does not use or hold them in the course of carrying on a business. Holders who do not hold their Common Shares as capital property should consult their own tax advisors.

This summary does not apply to a Canadian Non-Resident Holder: (a) that is a partnership; (b) that is a “financial institution” for purposes of the “mark-to-market” rules contained in the Canadian Tax Act; (c) that is a “specified financial institution” (as defined in the Canadian Tax Act); (d) an interest in which is a “tax shelter investment” (as defined in the Canadian Tax Act); (e) that reports its “Canadian tax results” (as defined in the Canadian Tax Act) in a currency other than Canadian currency; (f) that has entered into or will enter into, with respect to the Common Shares, a “derivative forward agreement,” a “synthetic disposition arrangement,” or a “dividend rental arrangement” (as such terms are defined in the Canadian Tax Act); (g) that acquired the Common Shares under or in connection with any equity or stock-based compensation arrangement; or (h) that is exempt from taxation under Part I of the Canadian Tax Act. Such Canadian Non-Resident Holders should consult with their own tax advisors regarding the tax consequences of owning and disposing of their Common Shares, taking into account their particular circumstances.

This summary is based on the provisions of the Canadian Tax Act in effect as of the date of this document, as well as on the administrative policies and assessment practices published in writing by the Canada Revenue Agency as of the date of this document. It also takes into account the proposed amendments to the Canadian Tax Act publicly announced by the Minister of Finance of Canada prior to this date, assuming that they will be enacted in the form proposed, although there is no assurance that this will occur.

This summary does not take into account future changes in the law or in the policies and practices of the Canada Revenue Agency, whether by judicial, legislative, or governmental decision. Nor does it address all possible Canadian federal income tax consequences, nor does it consider provincial, territorial, or foreign tax aspects, which could differ materially from those described herein.

This summary is general in nature and does not constitute legal or tax advice to any particular holder. The tax consequences of acquiring, holding, and disposing of the Common Shares will vary depending on the particular circumstances of each holder. Interested parties should consult their own tax advisors.

(a) Dividends on Common Shares

Dividends paid or credited, or deemed to have been paid or credited, by the Company to a Canadian Non-Resident Holder, or to a partnership that is not a "Canadian partnership" (as defined in the Canadian Tax Act) of which a Canadian Non-Resident Holder is a member, in respect of its Common Shares, will generally be subject to withholding tax at a rate of 25%, subject to any applicable reduction of such withholding under an income tax treaty or convention between Canada and the country in which the Canadian Non-Resident Holder resides.

For example, under the Canada-Colombia Convention, the rate of withholding tax in respect of a dividend paid or credited, or deemed to be paid or credited, to or derived by a person who is the beneficial owner of the dividend, is resident in Colombia for purposes of the Canada-Colombia Convention and is entitled to all of its benefits, is generally reduced to 15% (or 5% if the beneficial owner is a company that directly or indirectly controls at least 10% of the voting power of the company paying the dividends). Canadian Non-Resident Holders are urged to consult their own tax advisors to determine their entitlement to benefits under an international tax treaty or the Canada-Colombia Convention.

(b) Disposition of Common Shares

This part of the summary does not apply to Canadian Non-Resident Holders whose Common Shares are or are deemed to be "taxable Canadian property" under the Canadian Tax Act.

Provided that the Common Shares are listed on a "designated stock exchange" for purposes of the Canadian Tax Act (which currently includes the TSX), they will generally not constitute taxable Canadian property for a Canadian Non-Resident Holder, unless during the 60-month period immediately preceding the disposition both of the following conditions were met: (i) 25% or more of the issued shares of any class of the Company's capital stock were owned by any combination of (a) the Canadian Non-Resident Holder, (b) persons not dealing at arm's length with such holder, and (c) partnerships in which the holder or persons not dealing at arm's length with such holder has a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the fair market value of the Common Shares was derived, directly or indirectly, from any combination of (a) real or immovable property situated in Canada, (b) Canadian resource properties (for purposes of the Canadian Tax Act), (c) timber resource properties (for purposes of the Canadian Tax Act), and (d) options or interests, or for civil law purposes, rights, in respect of such properties, whether or not such property exists.

Common Shares may also be deemed to be taxable Canadian property in other specific circumstances set forth in the Canadian Tax Act.

A Canadian Non-Resident Holder will not be subject to Canadian taxes on capital gains arising from the disposition of the Common Shares.

2.5 MANAGEMENT OF SHARES AND INTERNATIONAL CUSTODY

The operating model for the holding, transfer, trading, settlement, exercise of political and economic rights of the Shares and distribution of dividends on the Shares in Colombia may be implemented through any of the alternatives permitted under Colombian regulations and agreed with the BVC, DECEVAL and the other relevant participants, as established in the Operating Instructions.

The Shares remain deposited and are administered in Canada through CDS. They are not deposited with DECEVAL and there is no global certificate representing them in Colombia. The positions of Investors holding Shares through the Colombian market are reflected through book entries in DECEVAL, using the international custody chain and the applicable intermediaries or custodians under the then-current operating structure.

In Canada, Odyssey Trust Company acts as the Issuer's registrar and transfer agent. In that capacity, it is responsible for maintaining the shareholder register, recording transfers of Shares in accordance with Canadian law, coordinating with the relevant depository, custody and intermediation systems to update the records, and carrying out the operational procedures required for shareholders to exercise the economic and political rights attached to the Shares in accordance with the Operating Instructions.

2.6 SHARE TRADING

The Common Shares are dematerialized and may be traded in Colombia through the trading systems of the BVC, subject to compliance with applicable regulations and the procedures of the market infrastructures involved. Local trading will be conducted with respect to those Shares whose positions are reflected in DECEVAL and allocated to the corresponding Direct Depositors and beneficial owners.

Investors must route their purchase and sale orders through Stockbrokerage Firms authorized to operate in the Colombian market. These firms act as local intermediaries and, where applicable, as Direct Depositors with DECEVAL for the recording, administration and settlement of positions in the Shares.

Trading in Colombia does not alter the foreign nature of the Shares or the fact that they were issued under the corporate rules of the Issuer's jurisdiction of origin. The economic and political rights arising from the Shares will be exercised in accordance with the corporate framework applicable to the Issuer and the procedures of the international custody chain.

2.6.1 SHARE TRADING RULES

(a) Book Entries of Shares

For local trading, DECEVAL will create the security and administer the book entries within its systems, reflecting the positions reported through the international custody chain linking CDS to DECEVAL through an International Custodian. The book entries in Colombia constitute the local mechanism for identifying Investors' positions in the Shares and enabling their trading in the Colombian market.

The local book entry reflects the Investor's position within the CDS structure. It does not entail the issuance of an independent security nor does it alter the legal nature, governing law, or rights inherent in the Shares.

Position identification must be maintained at the Direct Depositor and beneficial owner levels. Accordingly, Direct Depositors will be responsible for providing the information required for the allocation of transactions and the proper updating of local records, in accordance with the operating procedures of DECEVAL and the other participating entities.

(b) Trading of Shares in Colombia

Transactions in Shares on the BVC are executed by local intermediaries in accordance with the rules of the equity trading system. Once executed, the information is transmitted to the clearing and settlement entities for processing of securities and cash movements in accordance with the Colombian securities market infrastructure.

Settlement of transactions must include the movement of securities and the corresponding movement of cash. Participating intermediaries must have the accounts and mechanisms necessary for settlement to occur within the time periods and conditions established by the rules of the Colombian market.

(c) Trading of Shares Abroad

When Shares are acquired or traded in the Canadian market, the trade is matched between the participating intermediaries in that market. Once the trade has been executed, the corresponding custody transfer or adjustment occurs in CDS, so that the position may be maintained or reflected within the depository entities (CDS, International Custodian and DECEVAL) applicable to the listing. The transfer of the position to Colombia occurs only upon the express instruction of the Investor.

If an Investor wishes to reflect its position within the Colombian infrastructure for local trading, it must instruct the corresponding transfer through the international custody chain, which allows free-of-payment ("FOP") movements and delivery versus payment of eligible Canadian securities. Through such link, the position may be transferred from CDS to the International Custodian and subsequently reflected in DECEVAL at the Direct Depositor and beneficial owner levels.

Once the position has been incorporated and reflected in DECEVAL, the Shares may be traded locally in Colombia, provided that all applicable operational, regulatory and market requirements have been satisfied.

(d) Transfer Between Depositories - FOP Transactions

Investors holding Shares abroad who wish to have them reflected in Colombia, or those holding a local position who need to transfer it abroad, may request the corresponding transfer between depositories. These movements are effected on an FOP basis, in accordance with the procedures of the entities in the custody chain.

The operating cycle for transfers between depositories includes: the recording of the transaction by the Direct Depositor, the transmission of instructions to DECEVAL and the International Custodian, the entry of instructions into CDS, and the subsequent confirmation of the withdrawal or receipt of securities in the respective systems. Once the transfer has settled at the International Depository, DECEVAL will update the local balances based on the information received.

Such transfers do not, by themselves, constitute purchase or sale transactions. An FOP movement will be treated as a mere custody transfer only when made between accounts or infrastructures of the same holder, without a change in ownership. When the FOP movement results from an underlying legal transaction (such as a purchase and sale, gift, succession, or other form of transfer of ownership), the tax, foreign exchange and recordkeeping consequences will be determined by reference to such underlying transaction, not to the custody movement. The execution of FOP transfers is subject to the schedules, operating cut-off times, documentary requirements and other conditions of the participating entities.

(e) Costs, Expenses and Operational Considerations

Investors should consider that trading, custody, transfers between depositories, the exercise of political rights, tax refunds and dividend payments may give rise to costs, commissions, expenses and taxes associated with the participation of local intermediaries, foreign intermediaries, securities depositories, custodians, Payment Agents, IMCs and other entities participating in the transaction.

Among other items, costs may arise in connection with local and international custody, the recording or cancellation of positions, currency conversion, intermediation in Colombia or abroad, corporate action processing, tax refund administration, funds transfers, international payments and fees charged by intermediaries participating in the execution or settlement of transactions.

(f) Compliance with Foreign Exchange Regulations in the Operating Cycle

Transactions relating to the acquisition, trading, transfer, custody, payment of dividends and disposition of Shares must be carried out in accordance with the Colombian foreign exchange regime then in effect. The applicable treatment will depend, among other factors, on whether the Investor is a Foreign Exchange Resident or Foreign Exchange Non-Resident, the nature of the transaction, and whether it involves a

transfer of foreign currency to or from abroad. Pursuant to Article 41 of External Resolution No. 1 of 2018 of the Board of Directors of Banco de la República, foreign capital investments and financial investments in securities issued or assets located abroad are, in the circumstances provided by regulation, subject to the rules requiring that funds be channeled through the foreign exchange market.

Foreign Exchange Resident Investors: For purposes of the Colombian foreign exchange regime, the acquisition by a Foreign Exchange Resident of Shares (foreign securities issued abroad and registered with the RNVE) constitutes a special foreign financial investment, pursuant to section 7.4.4 of Chapter 7 of Banco de la República External Regulatory Circular DCIP-83. Where the acquisition entails a remittance of foreign currency abroad, the transaction must be channeled through the foreign exchange market in the net amount actually remitted, with the submission, through the Foreign Exchange Information System, of the minimum data required for foreign exchange transactions relating to international investments, using foreign exchange purpose code 4570 - “Special financial investment”.

Financial investments and investments in assets abroad of this nature, including special financial investments and substitutions thereof, do not require registration with Banco de la República, regardless of the date on which they are made. Accordingly, subsequent changes in the ownership or composition of a special financial investment held by a Foreign Exchange Resident are not subject to the substitution or cancellation procedures applicable to registrable international investments.

Secondary trading between Foreign Exchange Residents of financial investments and assets abroad may be conducted in Colombian pesos or in foreign currency, as agreed by the parties. For transactions executed through the BVC under the Parex operating model, local settlement occurs in accordance with the rules of the Colombian market. A local purchase and sale between residents settled in pesos does not, by itself, entail a remittance of foreign currency abroad, without prejudice to compliance with the foreign exchange obligations applicable to the original acquisition. The operating model contemplates that local transactions result in movements of securities and cash within the Colombian infrastructure.

Transfers of securities between Colombia and abroad. Transfers of Shares between the international custody infrastructure and DECEVAL on an FOP basis do not, by themselves, constitute purchase or sale transactions. An FOP movement will constitute a mere custody transfer only when made between accounts of the same holder, without a change in ownership. Where the transfer results from an underlying legal transaction (such as a purchase and sale, gift, succession or other form of transfer), its tax, foreign exchange and registration consequences will be determined by reference to such underlying transaction, not to the custody movement. To the extent an FOP transfer does not involve a remittance, reimbursement or payment of foreign currency, such movement does not, by itself, create a new channeling obligation; this does not modify or replace the foreign exchange obligations applicable to the economic transaction giving rise to or following the transfer.

Accordingly, where a Foreign Exchange Resident acquires Shares in the Canadian market and subsequently requests their FOP transfer to the international structure used by DECEVAL to reflect its position in Colombia, the custody transfer will be independent from the foreign exchange compliance corresponding to the acquisition. Likewise, where a Foreign Exchange Resident transfers Shares from DECEVAL to a custody account abroad for subsequent sale, the FOP transfer will be independent from the foreign exchange obligations associated with the eventual disposition of the investment.

Where a Foreign Exchange Resident receives foreign currency as a result of the sale, redemption or liquidation of Shares constituting a special financial investment, the inflow must be channeled in accordance with the foreign exchange regime, using, where applicable, foreign exchange purpose code 4066 - “Redemption or liquidation of the special financial investment”. For returns or dividends from such investment, the applicable code is 1599 - “Returns on the special financial investment”.

Foreign Exchange Non-Resident Investors: The acquisition by a Foreign Exchange Non-Resident of securities issued by a foreign entity and registered with the RNVE constitutes, for purposes of the international investment regime, a foreign portfolio investment. Where the investment is made through the channeling of foreign currency, its registration is automatic upon submission of the minimum data required

for foreign exchange transactions relating to international investments. For foreign currency inflows specifically intended for portfolio investments in securities issued by foreign entities and registered with the RNVE, Annex 1 to External Regulatory Circular DCIP-83 provides for foreign exchange purpose code 4038.

Under the operating model adopted for the Shares, where the foreign currency corresponding to the acquisition by a Foreign Exchange Non-Resident of securities issued abroad and registered with the RNVE is remitted abroad by the Issuer's legal representative, such representative must provide, through the Foreign Exchange Information System, the minimum data required for foreign exchange transactions relating to services, transfers and other items, using foreign exchange purpose code 2912 - "Foreign securities issued abroad and registered with the RNVE", in accordance with the procedure established by Banco de la República.

Where a portfolio investment is made without channeling foreign currency and falls within any of the circumstances set forth in section 7.2.2.2 of Chapter 7 of External Regulatory Circular DCIP-83, its registration will be deemed completed through the corresponding book entry at the local central securities depository. Changes in the ownership or composition of the portfolio investment, and cancellations thereof, must be reflected on a consolidated basis through the Statistical Report of Foreign Portfolio Capital Investments in Colombia – IPEXT, without requiring an individual report for each substitution or cancellation.

The return, profits, yields and dividends from foreign portfolio capital investments must be channeled through the portfolio investment administrator, with the submission of the minimum data required for foreign exchange transactions relating to international investments, using foreign exchange purpose code 4571 - "Return, profits, yields and dividends from foreign portfolio capital investments".

Dividend payments and currency conversion. Where a dividend payment to Foreign Exchange Resident Investors is received in foreign currency and must be converted into Colombian pesos under Parex's operating model, the conversion must be carried out through an foreign exchange market intermediary (IMC) in compliance with the applicable foreign exchange reporting obligations. For returns or dividends arising from a Foreign Exchange Resident's special financial investment, the treatment corresponding to foreign exchange purpose code 1599 must be observed.

Finally, Investors, Stockbrokerage Firms, portfolio investment administrators, Direct Depositors, DECEVAL, authorized Payment Agents and the other entities participating in the structure must comply, as applicable to their role and the nature of each transaction, with the information submission and record retention obligations provided under foreign exchange regulations. Documentation evidencing the amount, characteristics, terms and movements of investments must be retained for the applicable statutory period and kept available to the competent authorities.

(g) Transaction-Related Warnings

The operating description contained in this document is intended to explain the general operation of the local listing structure and the operating flows associated with Shares in Colombia. Each Investor should consult its Stockbrokerage Firm, tax adviser, foreign exchange adviser and other competent professionals regarding the specific implications of its transactions, including the requirements applicable to trading, custody, transfers, exercise of rights, tax refunds and receipt of dividends.

The entities participating in the structure may establish procedures, deadlines, operating cut-off times, forms, supporting documentation and additional requirements for the execution of the transactions and events described herein. The ability to execute a transfer, exercise political rights, request a tax refund or receive an economic benefit will be subject to timely compliance with such requirements.

2.7 COMPANY DIVIDEND POLICY

The Company has no legal or statutory obligations to declare dividends. The Board of Directors is the corporate body empowered to declare the Company's dividends.

Section 43 of the ABCA provides that a company may not declare or pay dividends if there are reasonable grounds to believe that it is, or will be, unable to meet its obligations as they become due or that the realizable value of its assets would be less than the aggregate of its liabilities and stated capital of all classes.

In 2021, the Board of Directors implemented a dividend program pursuant to which the Company expects to pay a regular quarterly cash dividend. If declared, the quarterly dividend is expected to be paid in each quarter of March, June, September and December of each year to holders of record of Common Shares of such month.

During the years ended December 31, 2025, 2024, and 2023, and the first three quarters of the year ending December 31, 2026, the Company paid the following quarterly cash dividends:

(CAD per share)	Q1	Q2	Q3	Q4	Year
2026	$0.385	$0.385	$0.385	-	-
2025	$0.385	$0.385	$0.385	$0.385	$1.54
2024	$0.375	$0.385	$0.385	$0.385	$1.53
2023	$0.375	$0.375	$0.375	$0.375	$1.50

In accordance with the Issuer's historical practice, the Board of Directors has declared quarterly dividends coinciding with the publication of the financial results for the previous quarter. This schedule provides shareholders with visibility as to the timing of dividend declarations, which are typically announced through press releases available on the Issuer's website and through SEDAR+ (www.sedarplus.ca). Payment is typically made around the middle of the last month of the corresponding quarter, and the record date for determining shareholders entitled to the dividend is typically one week prior to the payment date. Investors may consult the specific dates for each dividend in the Issuer's interim and annual financial statements and related press releases.

Dividends declared by the Company are paid in cash and in Canadian dollars (CAD), in accordance with the practice in effect since the implementation of the dividend program. For Investors in Colombia, receipt of dividends will be effected through the applicable custody structure as provided in the Operating Instructions, subject to the currency conversion transactions that may apply as provided therein.

Notwithstanding the foregoing, the decision to declare any dividend and the amount of future cash dividends declared and paid by the Company, if any, will be subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including, without limitation, business performance, operating environment where the Company's assets are located, financial condition, growth plans, fluctuations in commodity prices, production levels, expected capital expenditure requirements, operating costs, royalty burdens, foreign exchange rates, interest rates, compliance with any restrictions on the declaration and payment of dividends contained in any agreements to which the Company or any of its subsidiaries is a party from time to time (including, without limitation, the agreements governing the Company's credit facilities and debt securities), and the satisfaction of liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. The actual amount, the record date and the payment date of any dividend are subject to the discretion of the Board of Directors. There can be no assurance that dividends will be paid at the current rate or at any rate in the future.

The Board of Directors intends to review the dividend program periodically, at its discretion. Depending on the foregoing factors and any other factors that the Board of Directors deems relevant from time to time, many of which are beyond the control of the Company, the Board of Directors may change the program following any such review or at any other time that the Board of Directors deems appropriate. Any such change may include, without restriction, future cash dividends being reduced or suspended entirely.

Section 11.04 of the Company's by-laws provides that any dividend unclaimed after a period of 6 years from the date on which it has been declared payable shall be forfeited and shall revert to the Company.

Operational Cycle for Dividend Payments to Investors in Colombia

When the Company declares dividends, it will make available to DECEVAL, through the custody chain, the funds corresponding to the Shares registered in Colombia for distribution to the relevant Investors. For this purpose, such funds will be transferred and channeled in accordance with the Operating Instructions so that dividends are paid in Colombian pesos to the ultimate Investors holding Shares registered in Colombia. Accordingly, Investors in Colombia may receive dividends on a date later than the date on which they are paid by the Company, taking into account the transfer and channeling of funds through the custody chain. The applicable period for channeling and delivering the funds will be the period provided in the Operating Instructions.

Investors in Colombia should be aware that dividends are declared and paid by the Company in Canadian dollars (CAD). In order to be received in Colombian pesos (COP), the funds will undergo two successive conversions along the custody chain. The International Custodian will convert the dividends in CAD received by the International Depository into U.S. dollars (USD) and remit them to DECEVAL's account in the United States. DECEVAL, through the foreign exchange market intermediary (IMC) with which it has contracted such service, will then convert such USD into COP and channel the payment in Colombia. The applicable operating procedure is described in the Operating Instructions, which may be amended from time to time and will be published through the official market channels.[3]

2.8 FOREIGN EXCHANGE RISK ASSOCIATED WITH THE PAYMENT OF DIVIDENDS

Considering that dividends are declared and paid by the Company in Canadian dollars (CAD), the amount in Colombian pesos actually received by Investors will depend on the exchange rates applicable on the date and at the time each of these conversions is carried out, as provided in DECEVAL's Operating Instructions. It will not depend on the exchange rate in effect on the date of declaration or payment of the dividend by the Company. It is estimated that the funds may take between two and three days to reach the accounts registered for the payment of dividends in Colombia. Such period may vary depending on the time the funds are received, the transfers, the validations and the actions of each participant in the chain. During that time, fluctuations in the CAD/USD and USD/COP exchange rates could reduce the amount received in Colombian pesos. This risk arises from the double conversion and cannot be fully controlled by DECEVAL or the International Custodian. In addition, each conversion may be subject to exchange spreads, fees and transfer costs charged by the entities participating in the chain, which could also reduce the net amount received. The Company does not enter into foreign exchange hedging transactions for the benefit of Investors in Colombia with respect to dividends. The operational details of this procedure are set forth in the Operating Instructions, which may be amended and will be published through the official market channels.

[3] The Company will endeavour, in coordination with the other participants in the custody chain, to identify and implement improvements that make the process for paying dividends to Investors in Colombia more efficient. Any change to the operating procedure will be incorporated by DECEVAL into the International Custody Instructions, the preparation and updating of which is the responsibility of DECEVAL.

2.9 SHAREHOLDER MEETINGS

Pursuant to section 132 of the ABCA, the annual general meeting of shareholders must be held within fifteen (15) months after the last preceding annual meeting, and section 464 of the TSX Company Manual further requires such annual meeting to be held within six (6) months after the end of the Company's fiscal year. The Company's 2026 annual general and special meeting of shareholders was held on May 12, 2026. In accordance with the TSX Company Manual, the Company's 2027 annual general meeting must be held no later than June 30, 2027. Parex typically holds its annual meeting during the first half of May. The Board of Directors has the power to call special meetings at any time it deems necessary. As to their content, all matters dealt with at a meeting of shareholders, other than the consideration of the financial statements and the auditor's report, fixing the number of directors for the following year, the election of directors and the reappointment of the incumbent auditor, are deemed to be special business.

Pursuant to the ABCA and Canadian securities laws, notice of a meeting of shareholders called by the Board of Directors must be accompanied by an information circular in the prescribed form. For both annual and special meetings of shareholders, the ABCA requires notice of the time and place of each meeting of shareholders to be sent not less than 21 days and not more than 50 days before the meeting to each registered shareholder entitled to vote at the meeting, each director and the auditor of the Company. Canadian securities laws provide a regime for distribution of meeting materials to beneficial shareholders, which permits the Company to satisfy its delivery obligations by delivering materials to intermediaries.

Investors will exercise the voting rights attached to the Shares through the custody chain. For such purpose, each Investor will give its voting instruction to its Direct Depositor, a Stockbrokerage Firm or trust company, in accordance with the deposit or custody agreement entered into between the respective parties.

> DECEVAL will operationally consolidate the instructions received from the Direct Depositors with respect to each matter submitted for consideration at the shareholders' meeting and will transmit the consolidated instructions to the International Custodian, indicating the number of votes corresponding to each of the available options. The International Custodian, in turn, will channel such instructions through the International Depository for their exercise before the Issuer, in accordance with Canadian regulations and the applicable voting procedures.
>
> The consolidation carried out by DECEVAL will be operational in nature. The votes of local Investors will be transmitted according to the number of Shares instructed for each of the options, without the consolidation altering their direction or number.

Voting instructions given by the Investor will be binding and irrevocable for each of the intermediaries in the transmission chain, which must execute them as received. If the Investor does not provide instructions within the applicable deadline, the relevant Shares will not be voted, unless the Issuer or applicable regulation provides otherwise for abstentions.

In any event, the foregoing procedure will be subject to the provisions of DECEVAL's Operating Instructions established for such purpose.

The Company is permitted to use the "notice-and-access" provisions (the "Notice-and-Access Provisions") under National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer for its shareholder meetings in respect of the mailing of the Company's meeting materials, annual financial statements and management's discussion and analysis to the registered and beneficial holders of Common Shares. The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that must be physically mailed to shareholders by allowing a reporting issuer to post its information circular in respect of a meeting of its shareholders and related materials online. The Company is also permitted to use procedures known as "stratification" in relation to the Company's use of the Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of meeting materials to some shareholders, while other shareholders will receive a notice containing information prescribed by the Notice-and-Access Provisions and a voting instruction form.

Shareholders resident in Colombia whose Shares are reflected through DECEVAL will receive the Company's meeting materials through their respective Direct Depositor, once such materials have been made available to the custody chain by the Issuer, the Transfer Agent or such other person as the Issuer may designate.

2.10 LIMITATIONS ON THE CHANGE OF CONTROL OF THE COMPANY AND RESTRICTIONS ON THE TRADING OF SHARES

Pursuant to National Instrument 62-104 – Take-Over Bids and Issuer Bids, take-over bid requirements apply to offers to acquire outstanding voting securities or equity securities of a class made to one or more persons, any of whom is in Canada or whose last address, as shown on the books of the offeree issuer, is in Canada, where the securities subject to the offer to acquire, together with the offeror's securities, constitute in the aggregate 20% or more of the outstanding securities of that class as at the date of the offer to acquire.

In addition, National Instrument 62-104 – Take-Over Bids and Issuer Bids establishes an "early warning" system under which holders that acquire beneficial ownership of, or control or direction over, voting securities or equity securities of any class of a reporting issuer, or securities convertible into voting securities or equity securities of any class of a reporting issuer, which, together with the acquiror's securities of that class, constitute 10% or more of the outstanding securities of that class, are required to file reports following the acquisition and additional reports upon specified changes in circumstances, including certain subsequent acquisitions or dispositions.

On September 29, 2009, the Board of Directors approved the adoption of a shareholder rights plan, which was approved by shareholders of the Company's predecessor entity on October 30, 2009 and by the Company on May 23, 2012, was amended and restated and approved by shareholders of the Company on each of May 12, 2015 and May 9, 2018, and the amended and restated version was reapproved by shareholders of the Company on May 6, 2021 and May 9, 2024 (the "Parex Shareholder Rights Plan"). The fundamental objectives of the Parex Shareholder Rights Plan are to provide adequate time for the Company's directors and shareholders to assess an unsolicited take-over bid for the Company, to provide the directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made, and to provide shareholders with an equal opportunity to participate in a take-over bid. The Parex Shareholder Rights Plan also prevents "creeping bids" (the accumulation of 20% or more of the Common Shares through purchases exempt from Canadian take-over bid rules) and prevents a potential acquirer from entering into lock-up agreements with existing shareholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the Parex Shareholder Rights Plan.

Pursuant to the Parex Shareholder Rights Plan, one right ("Right") is attached to each Common Share. The Rights will separate from the Common Shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the Parex Shareholder Rights Plan. Subject to adjustment as provided in the Parex Shareholder Rights Plan, each Right will entitle the holder to purchase one Common Share at a price equal to C$50.00 (the "Exercise Price") and, in the event of a "Flip-In Event" (as defined in the Parex Shareholder Rights Plan), each Right will constitute the right to purchase from the Company, upon payment of the Exercise Price and otherwise exercising such Right in accordance with the terms of the Parex Shareholder Rights Plan, that number of Common Shares having an aggregate Market Price (as defined in the Parex Shareholder Rights Plan), on the date of consummation or occurrence of such Flip-In Event, equal to four times the Exercise Price for an amount in cash equal to the Exercise Price. The Parex Shareholder Rights Plan is similar to plans adopted by several other Canadian issuers and approved by their securityholders. A copy of the Parex Shareholder Rights Plan is available on the Company's SEDAR+ profile at www.sedarplus.ca.

As at the date hereof, none of the Company's securities are subject to contractual restrictions on transfer imposed by the Company.

2.11 TRUSTS THAT LIMIT THE CORPORATE RIGHTS OF THE SHARES

As of June 30, 2026, to the Company's knowledge, there are no trusts that limit the corporate rights of the Shares.

2.12 LIMITATIONS IN CONSTITUTIVE DOCUMENTS ON THE RIGHTS OF THE SHARES

The Company's articles and by-laws do not impose any restrictions on the rights attaching to the Common Shares.

2.13 AVERAGE PRICE AND VOLUME TRADED

The following table shows the average daily closing prices and the trading volumes of the Common Shares for each of the twelve months preceding June 30, 2026. The Common Shares are listed for trading on the TSX and are traded under the symbol PXT.

Month	Average Closing Price (CAD)	Monthly Volume
July 2025	14.73	12,202,979
August 2025	16.44	12,735,893
September 2025	18.13	15,871,970
October 2025	18.19	11,890,800
November 2025	18.50	10,455,987
December 2025	18.15	11,752,720
January 2026	19.17	12,754,742
February 2026	21.00	12,433,557
March 2026	25.26	28,367,180
April 2026	26.61	19,040,606
May 2026	26.85	18,369,409
June 2026	25.26	23,991,244

2.14 APPLICABLE LEGAL REGIME AND COMPETENT COURTS

Parex is a corporation incorporated under the laws of Alberta, Canada, and the Common Shares are registered and traded on the TSX. Accordingly, corporate matters relating to the existence, capacity, corporate organization, rights inherent in Common Shares, dividend declarations, meetings, quorums, majorities, voting rights, transfers in the Canadian registry, and other corporate matters pertaining to the Issuer are governed by applicable Canadian law, including the ABCA, and applicable market rules. Any legal action or proceeding relating to the enforcement of rights attaching to the Common Shares under the ABCA falls within the jurisdiction of the Court of King's Bench of Alberta (the trial court of general jurisdiction in the Province of Alberta). Given that the Company's head office is in Calgary, Alberta, Canada and the Company is a reporting issuer in each of the provinces of Canada, various matters such as trading in the Common Shares and continuous disclosure requirements are also governed by securities laws and other applicable laws in Canada.

Notwithstanding the foregoing, the registration of the Shares in the RNVE, their listing and trading on the BVC, the disclosure of material information in Colombia, the obligations of the Issuer vis-à-vis the Colombian public securities market, the actions of local intermediaries, local clearing and settlement, and the operations carried out in Colombia will be governed by the applicable Colombian law, including Decree

2555 of 2010, Law 964 of 2005, the Basic Legal Circular of the SFC, the BVC regulations, the DECEVAL regulations and the other rules that modify, add or replace them.

Investors should be aware that, as shares issued by a foreign issuer, the exercise of certain corporate rights may be subject to the procedures, deadlines, restrictions and mechanisms provided for in Canadian law, in the Issuer's corporate documents (including its articles and by-laws), and in depository systems in Canada (CDS) and Colombia (DECEVAL).

For matters related to the trading of the Shares in Colombia, the Colombian judges and authorities will be competent in accordance with the applicable legislation.

Corporate disputes relating to the Shares, including those concerning the existence, capacity or corporate organization of the Issuer; the rights attaching to the Shares; the declaration and payment of dividends; the holding of meetings, quorums and majorities; voting rights; the election of members of the Board of Directors; and corporate transactions or reorganizations, such as mergers, acquisitions or spin-offs, as well as any other matter arising from the status as a shareholder of Parex, shall be governed by applicable Canadian law, including the ABCA. Such disputes shall be subject to the exclusive jurisdiction of the courts of Alberta, Canada, including the Court of King's Bench of Alberta, as the trial court of general jurisdiction in such province.

In turn, disputes relating to the obligations assumed by the Issuer vis-à-vis the Colombian public securities market as a result of the registration of the Shares in the RNVE and their listing on the BVC shall be subject to applicable Colombian law and may be submitted to the jurisdiction of the Colombian courts and authorities, as applicable. The foregoing includes disputes relating to compliance with the duties to disclose material and periodic information to the SFC and the market; the actions of the Issuer's authorized representatives in Colombia in the exercise of the functions described in this Prospectus; service to Investors in Colombia; and, in general, any other obligation arising directly from the Colombian regulations applicable to the registration and trading of foreign securities.

2.15 APPLICABLE FOREIGN EXCHANGE AND INTERNATIONAL INVESTMENT REGIMES

The foreign exchange implications under current Colombian regulations vary depending on the type of operation being carried out. Under this understanding, there are operations that are classified as mandatory channeling through the foreign exchange market and operations that are considered free market operations.

Thus, the foreign exchange market is made up of those currencies that must be mandatorily channeled through IMCs authorized to do so, or through the clearing mechanism, and those currencies that are voluntarily channeled through the foreign exchange market, despite being exempt from complying with this type of obligation.

In contrast, the free market is made up of those operations that are not classified under Colombian regulations as mandatory channeling through the foreign exchange market, but which are settled in cash foreign currency, foreign currency abroad, cheques in foreign currency or non-financial assets such as bonds, among others.

The foreign exchange regulation clearly indicates what type of operations are understood as mandatory channeling through the foreign exchange market. In other words, it establishes what type of operations must always be channeled, either through an authorized IMC or through clearing accounts. Therefore, these operations must always be paid through an authorized IMC or through a clearing account regardless of whether it is a foreign currency operation, or if it is an authorized operation to be carried out in Colombian pesos as legal tender.

In this regard, Article 41 of External Resolution 1 of 2018 of the Board of Directors of Banco de la República provides that the following operations are subject to mandatory channeling: (i) Import and export of goods; (ii) External indebtedness (assets and liabilities), as well as the financial costs inherent therein; (iii) Foreign

capital investments in the country or Colombian capital investments abroad, as well as the returns associated with such investments; (iv) Financial investments in securities issued and in assets located abroad, as well as the returns associated with them, except when the investments are made with foreign currency from operations that are not required to be channeled through the foreign exchange market; (v) Derivatives transactions; and (vi) Guarantees and sureties in foreign currency and financial derivatives transactions.

In this sense, the foreign exchange treatment applicable to the operations will vary depending on whether the operations are carried out by Foreign Exchange Residents or Foreign Exchange Non-Residents. Particularly in the case of investment in securities located abroad and registered in the RNVE, if the shares are acquired by Foreign Exchange Residents, the operation should be analyzed under the regime of financial investments and assets abroad, particularly special financial investments, since they are securities issued by a foreign company. On the other hand, if the shares are acquired by Foreign Exchange Non-Resident Investors, the operation must be analyzed under the foreign portfolio investment regime, to the extent that said regime includes the acquisition by Foreign Exchange Non-Residents of securities issued by foreign entities and registered in the RNVE.

On the one hand, foreign portfolio investment includes investments made by Foreign Exchange Non-Resident Investors in financial assets of the Colombian market, mainly securities registered in the RNVE, as well as other instruments authorized by applicable regulations.

Literal (b) of Article 2.17.2.2.1.2 of Decree 1068 of 2015 establishes an exhaustive list of securities considered as foreign portfolio capital investment, among which is the acquisition by a Foreign Exchange Non-Resident Investor (whether a natural person, legal person or assimilated entity) of the securities registered in the RNVE, in accordance with Decree 2555 of 2010.

However, it is important to bear in mind that any foreign capital investment that has the intention of permanence in shares issued by a Foreign Exchange Resident company must be registered as a direct investment, even if these securities are registered in the RNVE.

As a general rule, when the investment involves the entry of foreign currency into the country, the operation must be channeled through the foreign exchange market, through an IMC. Thus, it will be necessary to file the foreign exchange declaration for international investments through the Foreign Exchange Information System of the Banco de la República, using the applicable foreign exchange purpose code. In these events, in accordance with the regulations of the Banco de la República, the registration of foreign portfolio investment is understood to be carried out automatically with the provision of such information to the IMC.

However, the External Regulatory Circular DCIP-83 of the Banco de la República also provides for the possibility of carrying out portfolio investment operations without channeling foreign currency, in particular cases such as the reinvestment of profits and returns. In these cases, the registration is understood to be carried out by means of the book entry in DECEVAL, among others, with respect to reinvestments or capitalizations of sums with drawing rights, redemptions and additions of negotiable depository certificate programs representing securities, transfers of securities issued abroad and registered in the RNVE, operations related to stock market funds and the other events provided for in section 7.2.2.2 of Chapter 7 of the External Regulatory Circular DCIP-83.

On the other hand, financial investment and/or investment in assets located abroad includes any type of asset including financial investments, shares in foreign funds, fiduciary rights or trusts abroad, real estate, inventory and other assets outside Colombian territory.

This category includes special financial investments abroad, regulated in section 7.4.4 of the External Regulatory Circular DCIP-83 of the Banco de la República. This provision includes: (i) securities listed in foreign securities quotation systems through agreements for the integration of stock exchanges; (ii) foreign securities traded in foreign securities quotation systems through Stockbrokerage Firms; and (iii) securities issued abroad and registered in the RNVE, such as the Shares.

Unlike the general regime applicable to other financial investments and investments in assets abroad, which may be made using free market currencies, the foreign exchange regulation expressly establishes that financial investments of a special nature must be channeled through the foreign exchange market. Consequently, the transfer of the resources destined for these investments must be made together with the filing of the foreign exchange declaration for international investments, using the corresponding foreign exchange purpose code. Particularly, for investments in securities issued abroad and registered in the RNVE, the channeling must be carried out through the Foreign Exchange Information System using foreign exchange purpose code 4570 – "Special financial investment". In addition, the foreign exchange regulations specify that these operations must be reported for the net amount actually remitted, regardless of whether the negotiation has been settled through clearing or netting mechanisms.

Notwithstanding the obligation to channel foreign currency through the foreign exchange market, these investments are not subject to the international investment registration regime administered by the Banco de la República. Consequently, financial investments and investments in assets abroad, including financial investments of a special nature, do not require registration with said entity, regardless of the date on which they were made. For the same reason, subsequent modifications of the investment, such as changes of ownership or substitutions of the asset, are also not subject to substitution, updating or cancellation procedures before the Banco de la República, unlike what happens with registrable international investments.

With regard to the transfer of resources or return on investment, the foreign exchange regulation provides that the inflow of foreign currency derived from the liquidation or redemption of the investment, as well as the returns, interest, dividends or other profits generated by it, must be channeled through the provision of information on the minimum data of foreign exchange operations for international investments, using the foreign exchange purpose code corresponding to the nature of the income. For special financial investments in securities issued abroad and registered in the RNVE, said regulation contemplates foreign exchange purpose code 4066 – "Redemption or liquidation of the special financial investment".

The foreign exchange regime also establishes the possibility that secondary trading between Foreign Exchange Residents regarding financial investments and assets abroad are settled in both Colombian legal currency and foreign currency. Consequently, when a resident transfers to another resident the ownership of this type of investment in a Secondary Market operation, the parties have the power to freely agree on the currency in which the payment of the price will be made, without the exchange regulation imposing the exclusive use of Pesos or foreign currency.

Finally, the Foreign Exchange Resident Investor, the IMC, the Stockbrokerage Firm, the investment manager, DECEVAL or the clearing account holder, as appropriate in accordance with the applicable operating structure, must keep the documentation that allows accrediting the amount, characteristics, conditions and movements of the investment. This information must be kept available to the competent authorities throughout the expiration period of the sanctioning action for violations of the foreign exchange and international investment regime, i.e., two years, in order to prove adequate compliance with the applicable foreign exchange obligations.

In addition, with respect to exogenous foreign exchange information requirements, Resolution 180 of 2024 issued by the National Tax and Customs Directorate (Dirección de Impuestos y Aduanas Nacionales - DIAN) repealed DIAN Resolution 4083 of 1999 and updated the information requirements related to foreign exchange transactions channeled by IMCs and clearing accounts. For its part, DIAN Resolution 204 of 2025 sets out the content, technical characteristics, formats and applicable deadlines for the submission of exogenous foreign exchange information to the DIAN.

Foreign exchange declarations for international investments are filed through the Foreign Exchange Information System of the Banco de la República, in accordance with External Resolution 7 of 2023 of the Board of Directors of the Banco de la República, which indicated the operations that continue to be carried out through said system and repealed External Resolution 1 of 2014.

International Investment Regime in Canada

Foreign investment in Canada is regulated by the Investment Canada Act. Under the Investment Canada Act, the acquisition of control of an existing Canadian business by a non-Canadian Investor is subject to either (i) if certain thresholds are exceeded, a pre-closing net benefit review application and approval process pursuant to which the non-Canadian must satisfy the Minister responsible for the Investment Canada Act that the transaction is likely to be of net benefit to Canada before it can be completed, or (ii) where such thresholds are not exceeded, a notification to the Minister, which notification may be made prior to or within 30 days of closing. The thresholds vary depending on a number of factors, including the type of Investor and their country of origin.

The acquisition of a majority of the voting shares of a corporation is deemed to be an "acquisition of control" of that entity under the Investment Canada Act. The acquisition of less than a majority but one-third or more of the voting shares is presumed to be an acquisition of control of that corporation unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquirer through the ownership of voting shares. The acquisition of less than one-third of the voting shares of a corporation is deemed not to be an acquisition of control of that corporation, subject to certain discretionary rights vested in the responsible Minister relative to investments involving non-Canadian state-owned enterprises.

In addition, the Investment Canada Act provides for the separate review of foreign investments by non-Canadians on grounds that the investment could be injurious to national security.

Subject to limited exceptions, an acquisition of the voting shares of a publicly traded corporation which has, or which controls entities which have, either assets in Canada or revenues from sales in, from or into Canada exceeding certain financial thresholds will be subject to notification to the Commissioner of Competition (the "Commissioner") under the Competition Act (Canada) if, as a result of the transaction, the acquirer (together with their affiliates) would hold more than 20% of the corporation's voting shares (or more than 50% if the acquirer and their affiliates already own more than 20%). A transaction which is subject to notification under the Competition Act may not be completed until the parties to the transaction have filed their notifications and the applicable waiting period has expired or has been terminated by the Commissioner, or the Commissioner has waived the parties' obligation to provide notifications pursuant to the Competition Act.

2.16 SAFEGUARD CLAUSE

The rights of the holders of the Common Shares rank pari passu in priority of payment with one another, whether the Common Shares are held domestically or abroad.

The Company is principally subject to the Bankruptcy and Insolvency Act, the Companies' Creditors Arrangement Act and the ABCA with respect to insolvency, restructuring, liquidation and dissolution. Proceedings under such legislation are heard, as applicable, by the Court of King's Bench of Alberta (the trial court of general jurisdiction in the Province of Alberta). Accordingly, in the event of the Issuer's insolvency, Colombian insolvency law and the jurisdiction of Colombian authorities will not apply, without prejudice to section 2.14 – Applicable Legal Regime and Competent Courts of this Prospectus.

In an insolvency or liquidation proceeding, the rights of holders of Common Shares are subordinated to the rights of the Company's creditors. Accordingly, shareholders would only be entitled to receive distributions once all claims having priority over their equity interests have been satisfied in accordance with applicable law.

As a result, in the event of the Company's insolvency, bankruptcy or liquidation, holders of Common Shares may receive no distribution and could lose the entire value of their investment.

2.17 EQUITY VALUATION METHODOLOGY

Investments in equity securities issued by foreign entities that are listed simultaneously on the country's stock exchanges and on foreign stock exchanges are valued in accordance with the provisions of paragraph 3.4.1.54. Part 3 Chapter 4 Section 1 of External Circular 004 of 2026.

Regarding the classification, valuation and accounting of investments, the provisions that regulate this matter in this regard are established in Part 3 Chapter 4 Section 1 of the Basic Financial Circular, External Circular 004 of 2026.

The provisions relating to the accounting and recognition of provision and which are based on their classification, i.e., negotiable investments, investments available for sale and investments to be held until maturity, are established in paragraphs 7 and 8 of the same chapter of the aforementioned regulation.

3. ISSUER INFORMATION

3.1 GENERAL INFORMATION ABOUT THE ISSUER

3.1.1 COMPANY NAME AND CONSTITUTION

Parex Resources Inc. is one of the largest independent oil and gas companies operating in Colombia on an average daily production basis, focusing on the sustainable exploration, development and production of conventional oil and gas. The corporate headquarters are in Calgary, Canada, with an operational office in Bogotá, Colombia.

Production for the year ended 2025 was approximately 97% liquids-weighted, driving strong Netbacks, and is mostly connected to pipelines, providing access to Colombia's extensive infrastructure network with exposure to premium prices linked to Brent.

Parex also holds one of the largest independent acreage positions in Colombia, with approximately 6.8 million gross acres, and is actively exploring and utilizing its portfolio of high-quality assets with the ambition to continue growing as a multi-deposit operator.

Parex Resources Inc. is a corporation incorporated under the laws of the Province of Alberta, Canada. Its registered office is located at 3400, 888 Third Street S.W., Calgary, Alberta, Canada, T2P 5C5. The Common Shares are listed on the TSX under the symbol "PXT".

3.1.2 LEGAL STATUS

The Company is in operation.

3.1.3 DURATION AND GROUNDS FOR DISSOLUTION

Neither the ABCA nor the Company's articles or by-laws set a term for the Company's corporate existence. Under the ABCA, the Company will continue to exist unless and until a certificate of dissolution is issued to the Company by the Alberta Registrar of Corporations (the "Registrar"). The grounds for dissolution are prescribed in the ABCA and include, among other things, the following:

(a) approval by a special resolution of shareholders of the company, in circumstances where the company has no assets or liabilities under section 211 of the ABCA;

(b) voluntary liquidation and dissolution of a company by way of a special resolution of the company's shareholders in accordance with section 212 of the ABCA;

(c) dissolution by the Registrar under section 213 of the ABCA in connection with a company (i) not carrying on business for three consecutive years or (ii) being in default for a period of one year in sending to the Registrar any notice or document required by the ABCA; and

(d) dissolution by court order under certain circumstances pursuant to sections 214 and 215 of the ABCA.

3.1.4 SPECIFIC REGULATION

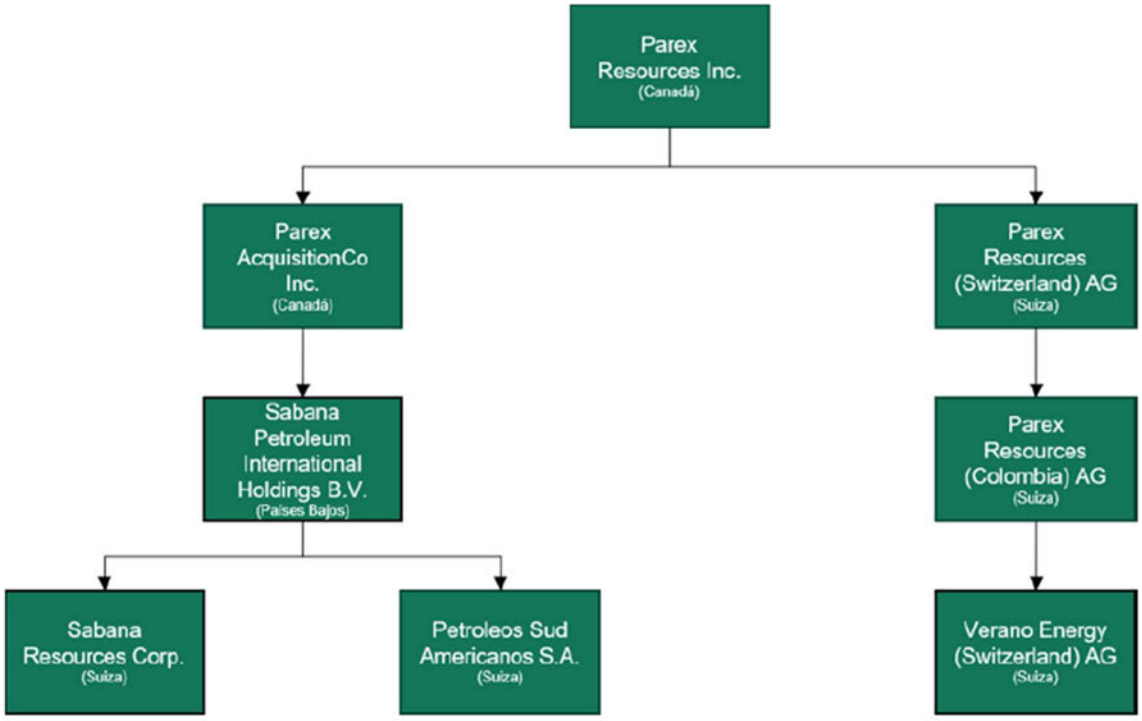
Parex, in addition to the Canadian laws described elsewhere in this Prospectus, respects, applies and complies with Colombian regulations related to the exploration, exploitation, distribution, transportation and commercialization of hydrocarbons that are applicable to foreign companies incorporated in Colombia as it is a company that controls 100% of the shares of foreign companies incorporated in Colombia through a branch.

3.1.5 SIGNIFICANT SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company, as of June 30, 2026, no person or company beneficially owns or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the votes attached to all of the issued and outstanding Common Shares.

3.1.6 DESCRIPTION OF PAREX'S CORPORATE STRUCTURE

The following chart summarizes the corporate structure of Parex's material subsidiaries:



3.1.7 SUBSIDIARY COMPANIES

The following table sets out the name of each subsidiary, the jurisdiction of incorporation, continuation or organization, the registered holder of the voting shares of each subsidiary, the percentage of voting shares held and the business conducted by each subsidiary.

Subsidiary	Jurisdiction of Incorporation, Continuance or Organization	Registered Holder of Voting Securities and Percentage Held	Business Conducted
Parex Bermuda (Insurance) Ltd.	Bermuda	Parex (100%)	Captive insurance company
Verano Energy Holdings (Barbados) Limited	Barbados	Parex (100%)	Inactive holding company
Parex Resources (Switzerland) AG	Switzerland (art. 620 et seq. of the Swiss Code of Obligations)	Parex (100%)	Holding company
Parex Resources (Bermuda) Ltd.	Bermuda	Parex Resources (Switzerland) AG (100%)	Inactive holding company
Parex Resources (Colombia) AG	Switzerland (art. 620 et seq. of the Swiss Code of Obligations)	Parex Resources (Switzerland) AG (100%)	The Company conducts oil and gas exploration and production activities in Colombia through a Colombian branch of this entity
Verano Energy (Switzerland) AG	Switzerland (art. 620 et seq. of the Swiss Code of Obligations)	Parex Resources (Colombia) AG (100%)	The Company conducts oil and gas exploration and production activities in Colombia through a Colombian branch of this entity
Parex AcquisitionCo Inc.	Alberta, Canada	Parex (100%)	Holding company
Sabana Petroleum International Holdings B.V.	Netherlands	Parex AcquisitionCo Inc. (100%)	Holding company
Sabana Resources Corp.	Switzerland (art. 620 et seq. of the Swiss Code of Obligations)	Sabana Petroleum International Holdings B.V. (100%)	The Company conducts oil and gas exploration and production activities in Colombia through a Colombian branch of this entity
Sabana Comercialización S.A.S.	Colombia	Sabana Resources Corp. (100%)	Crude oil marketing and trading activities
Petróleos Sud Americanos S.A.	Switzerland (art. 620 et seq. of the Swiss Code of Obligations)	Sabana Petroleum International Holdings B.V. (100%)	The Company conducts oil and gas exploration and production activities in Colombia through a

Subsidiary	Jurisdiction of Incorporation, Continuance or Organization	Registered Holder of Voting Securities and Percentage Held	Business Conducted
			Colombian branch of this entity
Major International Oil S.A.	Panama	Frontera Petroleum International Holdings B.V. (100%)	Holding company; holds title to agricultural land through Colombian branch
Promotora Agrícola de los Llanos S.A.	Panama	Major International Oil S.A. (100%)	Palm oil agricultural operations
Agro Cascada S.A.S.	Colombia	Major International Oil S.A. (100%)	Water treatment operations

3.1.8 OTHER INVESTMENTS

As at June 30, 2026, the date of the interim financial statements supporting this Prospectus, the Company did not hold any material investments in entities with a value exceeding 10% of the Company's total assets, other than its subsidiaries described above.

3.2 BUSINESS OF THE ISSUER

3.2.1 BUSINESS OVERVIEW

Parex has delivered a disciplined growth strategy supported by prudent capital allocation, strong cash flow generation, and a consistent commitment to shareholder returns. Through successful exploration, development, and strategic acquisitions, the Company has become the largest independent oil and gas producer in Colombia.

Since acquiring its first Colombian assets in 2010, Parex has grown production from zero to approximately 45,000 boe/d in 2025. Approximately 80% of Parex's production is sold domestically, with the remaining 20% sold into international markets.

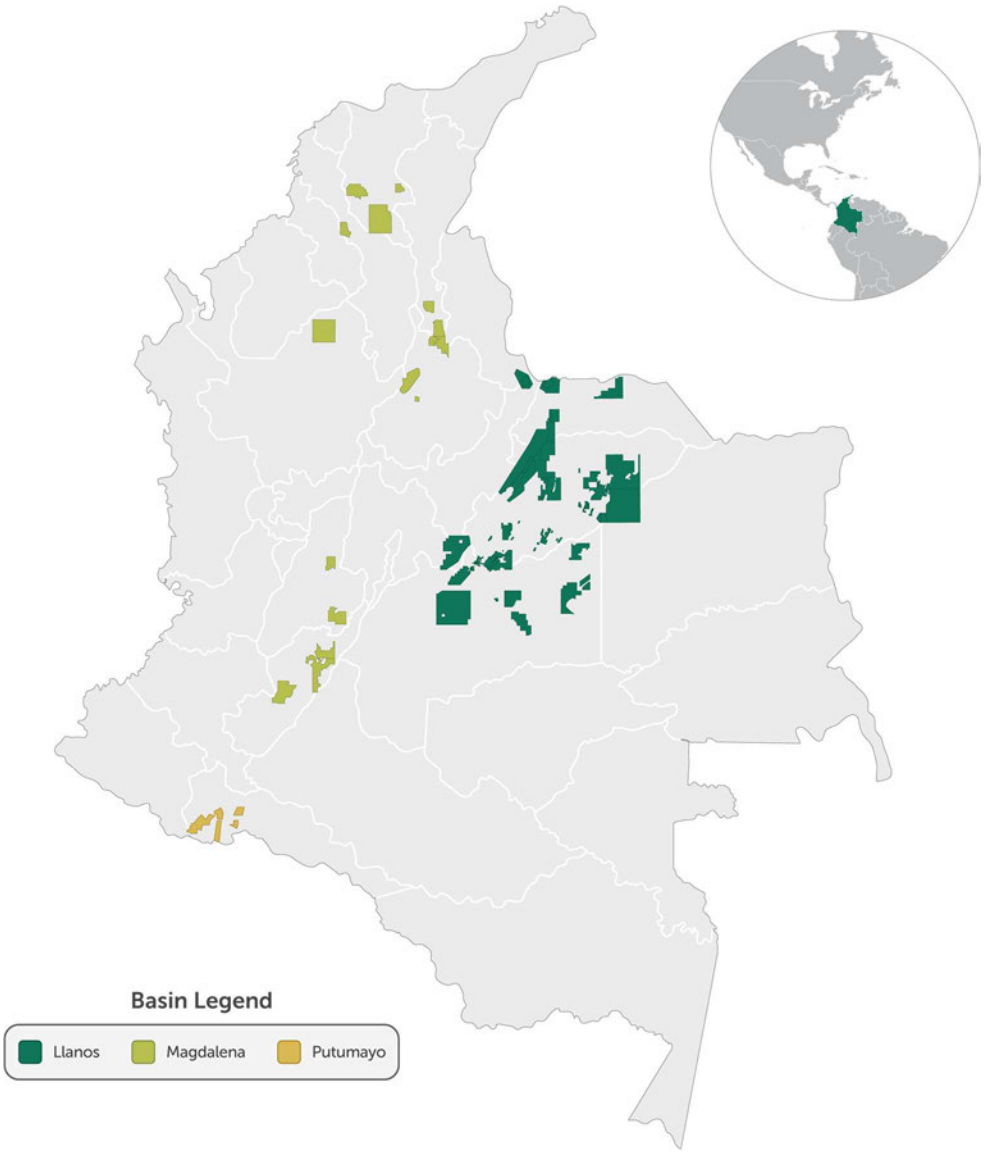
As at December 31, 2025, Parex had 99.6 MMboe of 1P reserves and 157.4 MMboe of 2P reserves, representing 1.04 boe and 1.64 boe per basic outstanding Share, respectively. In 2025, Parex achieved 1P and 2P reserve replacement ratios of 106% and 152%, respectively, with corresponding reserve life indices of 6.4 years and 10 years.

In 2026, the Company completed the acquisition of Frontera's Colombian exploration and production assets and expanded its presence in the Magdalena Basin through a 50% BCA with Ecopetrol. These transactions further strengthened Parex's scale, diversified its portfolio, and enhanced its long-term growth platform. The Company expects average 2026 production of 63,000 to 67,000 boe/d.

Asset Base and Operations

Parex's portfolio combines high-quality, cash flow-generating producing assets with a deep inventory of development and exploration opportunities. Following the Frontera Acquisition, the Company holds approximately 7.1 million net acres across the Llanos, Magdalena, and Putumayo basins.

Principal producing assets include LLA-34, Cabrestero, Quifa, LLA-111, and CPE-6 in the Llanos Basin; VIM-1, Casabe, and Llanito in the Magdalena Basin; and multiple producing assets in the Putumayo Basin.



Competitive Strengths

1. Leading independent E&P operator in Colombia

Parex is the largest independent oil and gas exploration and production company in Colombia, with expected average production of 63,000 to 67,000 boe/d in 2026 following the completion of the Frontera Acquisition. The Company operates under an attractive fiscal regime and benefits from Brent-linked pricing in USD, providing direct exposure to global oil markets and supporting industry-leading cash flow generation.

Colombia is an OECD member country with independent branches of government, free movement of capital, and no foreign exchange controls, providing a stable operating environment for international investment.

2. Long and consolidated track record of organic and M&A growth in Colombia

Since its founding in 2009, Parex has consistently executed a disciplined growth strategy, increasing production from zero to approximately 45,000 boe/d in 2025 through a combination of successful

exploration, development, and strategic acquisitions. This disciplined approach has enabled the Company to expand its production base, strengthen its reserve and resource portfolio, and generate sustainable free cash flow while maintaining financial discipline.

Parex has further enhanced its long-term growth platform through strategic transactions, including the acquisition of Frontera's Colombian exploration and production assets and the expansion of its partnership with Ecopetrol through participation agreements in the Llanos Foothills, Putumayo, and Magdalena Basins.

3. Solid base assets with significant exploration potential

Parex holds approximately 7.1 million net acres across Colombia's Llanos, Magdalena, and Putumayo basins. Its portfolio comprises high-quality, low-decline producing assets supported by proven development techniques, including horizontal drilling, waterflooding, and polymer flooding, which support stable production, capital efficiency, and strong cash flow generation.

The Company has consistently replaced production through near-field discoveries, field expansions, and enhanced recovery initiatives. Supported by an original hydrocarbons-in-place resource base of several billion barrels, Parex has a substantial inventory of development and exploration opportunities that provides long-term production growth potential.

4. An advantageous revenue and cost structure generates a Netback Premium

For the year ended December 31, 2025, Parex generated operating netbacks of approximately $35.52/boe, based on an average Brent price of $68.19/bbl, supported by a production mix that was approximately 97% liquids.

The Company's low-cost operating structure benefits from economies of scale, ongoing operating efficiencies, extensive pipeline access, and a favourable effective tax rate. Colombia's established transportation and export infrastructure provides efficient access to international markets, where Parex has historically sold approximately 40% of production through a diversified base of high-credit-quality counterparties. Parex has consistently generated free cash flow, even during periods when Brent crude prices were below $45/bbl, demonstrating the resilience of its business model.

5. Strong balance sheet and total return framework

Parex's focus is on optimizing capital allocation across its diversified portfolio, targeting 3-5% base production growth, maintaining a stable dividend, and deploying excess free funds flow primarily toward debt reduction, while advancing high-impact exploration opportunities with outsized potential, underpinning a compelling total return proposition.

Capital allocation principles include:

- Stable dividend: core to the total return framework; expected to be sustainable under varying commodity price environments.
- Balance sheet strength and flexibility: maintain a strong credit profile with a high level of liquidity and a medium-term target net debt to EBITDA of ≤0.5x.
- Reinvestment: drive self-funded, sustainable business model in the short- and medium-term, while strategically advancing high-impact, transformational exploration prospects in the Llanos Foothills.
- Excess free funds flow: primarily directed towards debt reduction.

6. Highly experienced management team with a strong track record of community engagement

Parex is led by an experienced management team with more than 150 years of combined industry experience and a proven track record of creating value in Colombia and internationally.

- **Imad Mohsen, President & Chief Executive Officer**: More than 30 years of oil and gas industry experience. Former Chief Executive Officer of Tulip Oil Holding B.V. and held leadership positions during a 15-year career with Shell.

- **Cameron Grainger, Chief Financial Officer**: More than 20 years of experience in finance, strategy, and taxation. Joined Parex in 2011 and has played a key role in the Company's growth and capital allocation strategy.

- **Eric Furlan, Chief Operating Officer**: More than 30 years of experience in field operations, reservoir development planning and execution, and executive leadership. He was appointed Chief Operating Officer in 2018 and is responsible for overseeing the Company's drilling, operations, production, reserves and development activities.

- **Technical Organization**: More than 370 engineers, geoscientists, and technical professionals based in Colombia with extensive experience in the exploration, development, and operation of Colombian oil and gas assets.

7. Strong ESG Performance and Community Partnerships

Parex integrates environmental stewardship, community investment, and strong governance into its business strategy. The Company was included in the 2026 S&P Global Sustainability Yearbook, ranking among the top 15% of companies in its industry. Its Board of Directors is 90% independent, with 33% female representation.

Since 2019 and through December 31, 2025 (which excludes the Frontera asset acquired on June 1, 2026), Parex has cumulatively reduced its Scope 1 and 2 greenhouse gas emissions intensity by 41% while investing in projects that have benefited more than 120,000 people across Colombia. Through long-term partnerships with local communities and governments, the Company continues to prioritize responsible operations, sustainable development, and shared value creation.

3.2.2 INDUSTRY OVERVIEW

Below is a brief summary of the economic and energy market conditions that occur in the performance of oil and natural gas operations in Colombia. The industry-related information in this section is from public sources.

Colombian Oil and Natural Gas Industry

Colombia has encouraged crude oil and gas exploration since the early 20th century and recorded the first commercial discovery in 1918. Despite periods of political and social instability, the country has always remained open to private investment and the Colombian government has consistently encouraged domestic and foreign participation in new exploration and production projects through regular updates of the country's regulatory framework and the introduction of E&P Contracts that meet international standards.

Entities Responsible for the Administration of Hydrocarbon Resources

Historically, the State was represented by Ecopetrol, a company created as a state entity in 1951, then reorganized as a State Industrial and Commercial Company in 1959, later as a public limited company and finally transformed into a Mixed Economy Company by Law 1118 of 2006.

Following the Brazilian model (among others), in 2003, through Decree 1760 of 2003, the regulatory regime of oil and gas in Colombia was reformed to make it more competitive. As a result of the reform, the ANH was constituted. Since 2003, the ANH has been the state entity with broad powers in the administration of hydrocarbon resources in Colombia. However, Ecopetrol reserved the exploration and production rights over the areas that, at the time of the creation of the ANH, were under its direct operation (reverted concession areas) or were subject to existing Association Contracts or any other modality in force at that date.

Existing Contractual Models

The contracts entered into by Ecopetrol and those entered into by the ANH—even if they have been entered into by state entities—are governed by private law and the special legislation applicable to each contractual regime, without prejudice to their characterization as state contracts for certain purposes, such as judicial review.

1. Association Contracts:

Decree 2310 of October 1974 established that the exploration and production of hydrocarbons would be the responsibility of Ecopetrol, except for the concession contracts that were still in force at the time of said Decree.

To carry out such activities, Ecopetrol was authorized to enter into any type of agreement other than concessions, including Association Contracts (similar to production sharing contracts), incremental production contracts, and service contracts for mature fields (e.g. CNDI - CPR - CRC) applicable to minor blocks or mature fields.

The Association Contract – the most relevant modality – is a model under which the exploration risk is assumed in full by the associate, and in the event of a discovery, Ecopetrol reimburses the associate for the costs incurred (approximately 50%) with production, in kind and without interest. In the most recent Association Contracts, that percentage increased to 70% in favour of Ecopetrol (but the conditions vary depending on the contract and the field).

If the commerciality of the discovery is accepted by Ecopetrol (successful), the costs are reimbursed and the contract moves to the production stage (with an average term of approximately 24 years), and Ecopetrol and the associate share, in the agreed proportions (50%-50% or 70%-30%, depending on the contract), the costs, investments and production of the commercial field. If Ecopetrol decides not to participate in the development of the field, the contractor could advance to the production stage on its own or decide to terminate the Association Contract.

In this model, the operator may be a company other than the parties (Ecopetrol and the associate) and regularly operates under a liability regime equivalent to gross negligence or willful misconduct.

Any assignment of rights under the Association Contracts is subject to Ecopetrol's prior approval. Upon termination, all of the Associate's rights shall revert to Ecopetrol without consideration.

2. E&P Contracts and Technical Evaluation Agreements (TEAs):

The ANH established a new contractual framework for the oil and gas sector, encouraging foreign participation in new exploration projects by introducing E&P Contracts that met international standards and offering sector participants the country's undeveloped and unlicensed exploration areas. The ANH also introduced Technical Evaluation Agreements ("TEAs"), under which companies are granted longer-term appraisal licences and a right of first refusal to evaluate exploration areas by proposing work commitments (including stratigraphic wells, but not exploration wells), giving them low-cost access to larger areas to conduct a preliminary assessment before committing to broader exploration programs. These two contractual enhancements provided clear standards for industry participants and reduced the cost of doing

business, resulting in a significant increase in exploration and production activity in Colombia and competition among industry participants.

Through successive regulations (Agreements), the ANH has defined the framework for the award of areas under E&P Contracts and TEA agreements. These instruments regulate both exploration and production rights and the State's control mechanisms.

The exploration and production (E&P) model is considered a "modern concession" through which the ANH grants the contractor the right to explore and produce hydrocarbons, while maintaining mechanisms for monitoring the performance of activities and the minimum work obligations of the concessionaire companies (contractors).

E&P Contracts establish the economic rights of the ANH in addition to the royalties established in the law, which include:

- a commission for the right to use the subsoil (surface fee), calculated on the basis of the number of hectares that make up the contract area during the exploration and production period;

- extraordinary profits or additional economic participation rights. The ANH has access to an additional economic participation right (or participation in the windfall profits) in the event that the price of the "West Texas Intermediate" reference crude oil exceeds the base price established in the contract (or in Agreement 002 of 2017, for future contracts), which varies depending on the quality of the oil (subject to specific exceptions), and the production of the contract area exceeds an agreed threshold (5 million barrels);

- in the case of gas, the participation in the windfall profits is paid when gas production reaches five years and is destined for export, and the reference price "Henry Hub of the Gulf Coast of the United States" exceeds the base price provided for in the E&P Contract. According to Agreement 002 of 2017, the participation in extraordinary profits for gas production is applied in cases in which gas production reaches five years from the declaration of commerciality, and in the event that the average sale price of the corresponding calendar month exceeds the base price established in Agreement 002 of 2017;

- an additional percentage share of production after royalties, if offered by the contractor in the selection process under which the E&P Contract was awarded; and

- a payment for technology transfer and institutional strengthening, which varies depending on the phase of the contract.

In addition, in both current and modified contracts, the ANH requires the payment of a mandatory social investment (PBC) of 1%, calculated on the total minimum investment in exploration assumed by the contractor.

Assignments of participation under an E&P Contract are subject to compliance by the assignee with the qualification criteria of the bidding round to which the block belongs and, if applicable, to prior authorization from the Superintendence of Industry and Commerce (SIC) when the transaction meets the market integration thresholds defined in Law 1340 of 2009.

As in some Association Contracts, upon termination of an E&P Contract, the contractor must comply with all abandonment obligations, and all assets and rights will revert to the ANH without compensation.

<u>Royalties</u>

Royalty payments vary depending on the quality of oil and the rate of production and are applied on a production area or, in some cases, block basis. Since 2002, as a result of the enactment of Law 756 of 2002, the royalty rate was fixed as a sliding scale depending on the produced volume. For light/medium oil, the stated royalty rate is as presented in the following table:

Field Production (bbl/d)	**Royalty Rate***
0-5,000	8%
5,001-125,000	8%-20%
125,001-400,000	20%
400,001-600,000	20%-25%

**For new discoveries of heavy oil, classified as those with an API equal to or less than 15º, the royalties will be 75% of the royalty rates for light and medium oils presented above. For natural gas production, the royalty will be 80% of the royalty rates for light and medium oils presented above.*

All of the Company's E&P Contracts are subject to this sliding scale royalty. Certain legacy contract types – such as Association Contracts and Convenios where the Company holds an interest – operate under different royalty terms and are not necessarily subject to this sliding scale royalty.

High Price Participation

A high price participation royalty applies to certain of the Company's ANH E&P Contracts, whereby the ANH has an additional economic right, which is triggered when cumulative production exceeds 5 MMbbls of oil (the "Production Trigger"), and the average monthly WTI reference price (P) exceeds the base price (Po) determined by the ANH. For natural gas, the high price participation is triggered starting from the fifth year after the declaration of commerciality of the gas field, when the applicable reference price (whether the U.S. Gulf Coast Henry Hub marker or the average monthly sales price of gas produced, as specified in each contract) exceeds the applicable base price (Po) for gas.

The high price participation is calculated by applying an escalating percentage (S) to the amount by which the average monthly WTI reference price (P) (or applicable gas reference price for gas) exceeds a base price (Po), divided by P. The base price (Po) is determined by the ANH and adjusted periodically, based on crude quality (API gravity) for oil and in USD/MMbtu for gas.

Quality	**Base Price (Po) 2026 Threshold**
Less than 10º API	Nil
10º to 15º API	$71.83/bbl
15º to 22º API	$50.29/bbl
22º to 29º API	$48.48/bbl
Greater than 29º API	$46.67/bbl

Average Monthly WTI Reference	**Participation Percentage (S)**
Po ≤ P < 2Po	30%
2Po ≤ P < 3Po	35%
3Po ≤ P < 4Po	40%
4Po ≤ P < 5Po	45%
5Po ≤ P	50%

Crude oil production with a quality higher than 15º and lower than 22º API and a WTI oil price of $80/bbl results in a production share equivalent to an incremental 14% royalty, bringing the total government royalty to approximately 22% for a production area with production less than 5,000 bbl/d, excluding potential X-factor. Threshold prices are adjusted annually, and the high price share is calculated after base royalties and X-factor if applicable.

A number of the Company's E&P Contracts and Association Contracts are subject to a different high price participation royalty triggered under the same production and price thresholds described above for liquid hydrocarbons. For natural gas, the trigger is five years after the start of exploitation of a commercial gas field, when the monthly average U.S. Gulf Coast Henry Hub price exceeds the applicable base price. Rather than applying the escalating participation percentages shown above, these contracts use a fixed 30% participation percentage and calculate the royalty using an "A Factor" methodology that takes into account the value of hydrocarbons at the delivery point. Generally, the value of hydrocarbons at the delivery point for liquid hydrocarbons is determined by reference to a basket of up to three crude oils of similar quality, proposed by the contractor in the exploitation plan and agreed with the ANH, adjusted to the delivery point by a pre-agreed margin. For natural gas, it corresponds to the actual monthly sales price (USD/MMbtu), net of transportation and processing costs. The A Factor is then derived from these values and applied to determine the high price participation royalty payable under the applicable contract.

X-Factor

The X-factor, an additional royalty percentage, is one of the bid criteria for new E&P Contracts, and the minimum X-factor is 1%.

Summary of Fiscal Terms of the Company's E&P Contracts, Convenios and Joint Ventures

Each E&P Contract/Convenio with the ANH has a sliding scale royalty of 8% to 25% based on the average monthly production level of a field, plus potentially two additional payments that vary by contract, a high price participation payment and an X-factor. The following table summarizes the base royalty, high price participation factors and X-factors applicable to the Company's E&P Contracts, Convenios and Association Contracts.

E&P Contracts, Convenios and Association Contracts[(1)]

Blocks	Base Royalty	X-Factor	High Price Participation Basis
CPE-2-2, CPO-4-1, CPO-10, CPO-11-2, Farallones, LLA-4-1, LLA-16-1, LLA-38, LLA-40, LLA-43-1, LLA-74, LLA-81, LLA-95, LLA-111, LLA-112, LLA-113, LLA-121, LLA-122, VIM-10-2, VIM-43, VMM-4-2, VMM-46, VSM-13-2, VSM-14-1, VSM-25, VSM-36, VSM-37, VIM-46, LLA-99	8%	1%	Production Trigger: Entire block Formula: Escalating factor
LLA-26, LLA-30, LLA-32, LLA-34	8%	1%	Production Trigger: Per exploitation area Formula: Escalating scale
Cabrestero, Los Ocarros	8%	None	Production Trigger: Per exploitation area Formula: Escalating scale
VIM-1	8%	17% (conventional) & 1% (unconventional)	Oil: Production Trigger: Entire block Formula: Escalating scale Gas: Trigger: Entire block + 5 years after exploitation commences Formula: Escalating scale

Aguas Blancas(3), Boranda(3), Capachos(3), Fortuna(2), Mundo Nuevo(2)	8%	None	None
Área Sur, Nororiente, Occidente, Orito, Sirirí, Casabe and Llanito(3)	20% base + 8% incremental	None	Production Trigger: New discoveries Formula: Escalating scale
Arauca(3)	32% base + 8% incremental	None	None
Piedemonte(3)	32% base + 8% incremental	1% (Extended Area)	Production Trigger: Extended Area Formula: Escalating scale
CPE-6	8%	2%	Production Trigger: Entire block Formula: Escalating scale
Arrendajo, Cachicamo, Canaguaro, Casimena, Corcel, Cravo Viejo, Cubiro, Guatiquía, Sabanero, Quifa	8%	None	Production Trigger: Per exploitation area Formula: A Factor
El Difícil(3)	8%	None	None

(1) Excludes contracts which are being relinquished or terminated.

(2) Association Contract. R Factor (additional royalty) applicable under the Association Contract with Ecopetrol if cumulative gross production exceeds 60 MMbbls.

(3) Convenios.

Geology and Infrastructure

Along with Venezuela and parts of Ecuador, Colombia shares the La Luna crude oil source rock, a world-class Cretaceous marine source rock that has generated most of northern South America's crude reserves.

According to the ANH, Colombia has 23 sedimentary basins, distributed both on land and in the sea. The main producing basins in the country are the Llanos, the Middle Magdalena and the Upper Magdalena, which are mature basins, with consolidated infrastructures and favourable characteristics in terms of deposits.

The Llanos Basin, an extensive foreland system located to the east, hosts thick Cretaceous-Tertiary clastic sequences with simple structures, high-quality deposits, and predictable yield, making it the backbone of production growth in Colombia. The Middle Magdalena Basin, which is part of the Andean fold and thrust belt, combines proven source rocks, such as La Luna and Simití, with stacked and faulted reservoirs that continue to attract investment in both conventional and unconventional opportunities. The Upper Magdalena Basin offers mature production and well-established infrastructure, as well as areas of stratigraphic and structural interest that are little explored and present a potential attraction in the surrounding area.

Environmental Regulation

Colombia's environmental regulatory framework governing the oil and natural gas industry is based on two main components: environmental planning and regulatory compliance.

Planning:

The ANLA requires the submission of environmental impact assessments ("**EIAs**") and environmental management plans ("**EMPs**") as the main planning tools for all new projects, ensuring that local and project-specific environmental and social variables are incorporated into their planning. After the approval of the EIA, the ANLA grants an environmental license. The environmental license addresses and grants the use of natural resources, approves the construction of roads and sites, flow lines, loading facilities, and generally any exploration-related activity, including production testing, and may impose specific conditions, obligations, and restrictions on the design, execution, monitoring, and closure of the project. If the exploration work results in a commercial discovery and the area of exploitation coincides with the area for which the exploration license had previously been granted, the environmental license shall be amended by means of an annex to the EIA to include the development of a permanent oil and natural gas production field, as well as development drilling. The process is similar to that of the exploration phase.

The design and construction of a field pipeline (defined as one with a diameter greater than six inches) is subject to a two-part environmental licensing process. First, an environmental options assessment is conducted, in which the company and the environmental authority analyze alternatives to agree on a pipeline design and layout that is more environmentally friendly. Once the ANLA selects the most environmentally appropriate alternative for the field pipeline, the company may apply for the pipeline's environmental license, upon submission of a comprehensive EIA and EMP.

Once the environmental license for a producing field has been obtained, and provided that such license authorizes the following activities, development drilling, flow lines, pumping stations, and other production infrastructure may be added through the development of project-specific EMPs, including monitoring obligations, reporting, compensation, restoration and closure, failure to comply with which may result in administrative or judicial measures, such as fines, operational restrictions or the suspension of activities, among others.

Compliance:

In Colombia, regulations regarding compliance standards include specific standards on water and air quality, treatment and disposal of wastewater and solid waste, air emissions control, and industrial hygiene. In addition, the environmental license usually includes obligations that the operator must meet.

Transportation, Storage and Refining Market Conditions

Colombia has a well-developed oil transportation and storage (midstream) system, with a combined network of pipelines for crude oil and refined products of more than 9,000 kilometres (5,590 miles), largely controlled by Ecopetrol through its subsidiary, Cenit Transporte y Logística de Hidrocarburos S.A.S. The network is aimed at transporting crude oil from the Llanos and Magdalena Basins through a distribution centre at the Vasconia pumping station (Boyacá, interior) to the Caribbean export terminal in Coveñas (Sucre), with significant storage along the coast. Key lines include: the 837-kilometre (520-mile) Ocensa line, from Cusiana-Cupiagua (Casanare, Llanos) to Coveñas, with an approximate capacity of 745,000 bbl/d; the Caño Limón-Coveñas line, about 780 kilometres (484 miles), which transports up to 220,000 bbl/d from the Caño Limón field (Arauca, near the border with Venezuela) to Coveñas; and the Trans-Andean Pipeline, about 306 kilometres (190 miles), from Orito (Putumayo, near Ecuador) to the port of Tumaco (Nariño) on the Pacific. The Bicentenario line runs from Araguaney (Casanare, Llanos) to Banadía (Arauca), where it connects with Caño Limón-Coveñas; its capacity is approximately 120,000 bbls/d, and it has been used bidirectionally as a contingency route to reach Coveñas during the Caño Limón-Coveñas interruptions, although at a higher cost to carriers. Other arteries of this system are the Colombian Pipeline, which runs from Vasconia to Coveñas, and the Alto Magdalena line, which links the Alto Magdalena Valley with Vasconia, which reinforces the network's role as a conduit for crude oil to the Caribbean.

Colombia's pipeline corridors, particularly Caño Limón-Coveñas and, at times, Bicentenario, have been frequent targets of sabotage, affecting flows periodically and necessitating diversion through available

contingencies. While pipelines form the backbone of exports, trucking and barge transport are used as complementary evacuation options when there are restrictions or disruptions on main lines.

Colombia's natural gas transportation is organized within the national open-access transportation framework known as the National Transportation System (SNT), regulated by Colombia's Energy and Gas Regulatory Commission (CREG) through its Single Transportation Regulation (RUT). The system has about 5,000 kilometres (3,100 miles) of transportation pipelines. TGI (Grupo Energía de Bogotá) is the largest gas pipeline operator, with approximately 4,000 kilometres of transmission lines, while Promigas operates extensive gas pipeline systems mainly along the Caribbean coast. The main corridors transport gas from the producing regions of La Guajira, Bajo Magdalena and Los Llanos to inland demand centres: the Ballena-Barrancabermeja line (approximately 260 MMcf/d) carries offshore and onshore gas from the Caribbean to the interior; the Barrancabermeja-Neiva-Bogotá system (approximately 436 MMcf/d) supplies the central markets; and the Mariquita-Cali gas pipeline (approximately 168 MMcf/d) supplies the southwest.

Colombia currently has four refineries, all owned by Ecopetrol: the large fuel refineries of Barrancabermeja (Santander) and Cartagena/Reficar (Bolívar), and the smaller units of Apiay (Meta) and Orito (Putumayo); the total crude oil processing capacity is approximately 380,000 to 420,000 bbl/d, and Barrancabermeja and Cartagena account for practically all national fuel production; in addition, the recent modernization of Cartagena allows for the processing of heavier and more acidic crude oils.

3.2.3 PRINCIPAL PROPERTIES AND CONTRACTS

Set out below is a summary of the Company's principal properties, pipeline operations and exploration areas, together with the related contracts, as at June 30, 2026.

Producing Properties

1. LLA-34 Block (55% working interest)

LLA-34 is located in the Southern Llanos Basin of Colombia and is governed by an E&P Contract, with production areas expiring between May 2039 and May 2045, subject to extension with ANH approval. Parex Resources (Colombia) AG holds a 55% non-operated interest, with GeoPark Limited holding the remaining 45% interest and operatorship. LLA-34 includes the Tigana, Jacana, Tigui and Tua producing oilfields and is characterized by conventional Llanos Basin light- to medium-oil reservoirs.

In 2023, Parex continued to delineate and develop the Tigana and Jacana pools, participating in the drilling of 32 wells, resulting in 17 producing oil wells, 6 waterflood injection wells, 3 abandoned wells and 6 suspended wells. Average net oil production from LLA-34 in 2023 was 29,827 bbl/d net (consisting of 238 bbl/d light crude oil and medium crude oil and 29,589 bbl/d of heavy crude oil) or 54,231 boe/d gross (consisting of 433 bbl/d light crude oil and medium crude oil and 53,798 bbl/d of heavy crude oil).

In 2024, Parex continued to delineate and develop the Tigana and Jacana pools, participating in the drilling of 16 wells, resulting in 11 producing oil wells and 6 waterflood injection wells. Average net oil production from LLA-34 in 2024 was 26,466 bbl/d net (consisting of 167 bbl/d light crude oil and medium crude oil and 26,299 bbl/d of heavy crude oil) or 48,120 boe/d gross (consisting of 303 bbl/d light crude oil and medium crude oil and 47,817 bbl/d of heavy crude oil).

In 2025, Parex continued to delineate and develop the Tigui pools, participating in the drilling of 7 wells, resulting in 5 producing oil wells and 2 suspended wells. Average net oil production from LLA-34 in 2025 was 21,033 bbl/d net (consisting of 93 bbl/d light crude oil and medium crude oil and 20,940 bbl/d of heavy crude oil) or 38,242 boe/d gross (consisting of 169 bbl/d light crude oil and medium crude oil and 38,073 bbl/d of heavy crude oil).

2. Quifa Block (60% working interest)

The Quifa block, located in the Llanos Basin, is governed by the Quifa Association Contract, which expires in December 2031, pursuant to which Sabana Colombia (now owned by Parex) is the operator of the block and holds a 60% working interest, while Ecopetrol holds a 40% working interest. Capital costs and operational expenses are borne 70% by Sabana Colombia and 30% by Ecopetrol.

In connection with the Quifa Condition of the Acquisition Agreement, Parex is currently seeking an extension of the Quifa Association Contract. See section 5.7.1 – Risks Related to Frontera Acquisition – Purchase Price Adjustment in the Event the Quifa Condition is Satisfied.

Within Quifa, Sabana Colombia has developed three commercial fields: Quifa SW (with 275 producing wells), Cajua (with 39 producing wells), and Jaspe (with eight drilled wells, three of which are currently inactive and the other five of which have been abandoned). Commerciality was declared in 2010 for Quifa SW, in 2012 for Cajua and in 2020 for Jaspe. In late 2022, Sabana Colombia increased the capacity of its water management infrastructure through the commissioning of the Battery 4 central processing facility and an expansion of pumping capacity at the Centro de Manejo de Agua water treatment facility, adding a combined 150,000 bwpd of water handling capacity and bringing total capacity to approximately 1.55 million bwpd.

3. *CPE-6 Block (100% working interest)*

Sabana Colombia holds a 100% working interest in the CPE-6 block, located in the Llanos Basin. The CPE-6 E&P Contract provides for a 24-year production period. The current production areas are scheduled to expire between January 2042 and April 2047 and may be extended, subject to approval by the ANH.

Pursuant to a farmout agreement dated December 17, 2015, Repsol Servicios Colombia S.A. is entitled to the following, up to a maximum amount of $48 million: (i) a variable monthly payment equal to 4%, multiplied by the monthly net total production and multiplied by the applicable price per barrel; and (ii) $5 million payable once the total accumulated gross production reaches 5 million, 10 million and 20 million boe, respectively. As at December 31, 2025, Sabana Colombia had paid a total of $33.6 million as part of this agreement.

CPE-6 entered the production phase on April 26, 2023, following the completion of the Hamaca Norte evaluation program. In November 2024, Sabana Colombia increased the water management capacity at CPE-6 to 360,000 bwpd. As a result, Sabana Colombia achieved a record daily production rate of approximately 9,000 bwpd in December 2024.

There are currently 84 heavy crude oil producing wells in CPE-6. Production is transported by truck and barge to the Puerto Bahía terminal, located in the Bay of Cartagena.

4. *Cabrestero Block (100% working interest)*

Cabrestero is located in the Southern Llanos Basin, producing heavy oil, and is governed by an E&P Contract, with the production area expiring in October 2039, subject to extension with ANH approval, held by Parex Resources (Colombia) AG as operator.

In 2023, Parex drilled 19 wells at Cabrestero. All wells drilled were oil-producing wells or water injection wells to allow a field waterflood pressure maintenance scheme. Average net oil production from Cabrestero in 2023 was 13,107 bbl/d net (13,107 bbl/d gross), consisting entirely of heavy crude oil.

In 2024, Parex completed its polymer injection pilot at Cabrestero, advancing enhanced oil recovery initiatives, and completed facility and workovers at various wells. Average net oil production from Cabrestero in 2024 was 12,912 bbl/d net (12,912 bbl/d gross), consisting entirely of heavy crude oil.

In 2025, Parex continued its polymer injection program, drilled 1 dry well and completed facility and workovers at various wells at Cabrestero. Average net oil production from Cabrestero in 2025 was 8,023 bbl/d net (8,023 bbl/d gross), consisting entirely of heavy crude oil.

5. LLA-32 Block (100% working interest)

Located in the Southern Llanos Basin, LLA-32 is governed by an E&P Contract, with production areas expiring between June 2040 and August 2045, subject to extension with ANH approval, in which Verano Energy (Switzerland) AG holds a 100% working interest and operatorship. LLA-32 includes the Azogue, Calona, Carmentea and Kananaskis fields.

In 2023, average net oil production from the LLA-32 block was 1,108 bbl/d net (consisting of 915 bbl/d of light and medium crude oil and 1,163 Mcf/d of conventional natural gas) or 1,401 boe/d gross (consisting of 1,179 bbl/d of light and medium crude oil and 1,329 Mcf/d of conventional natural gas).

In 2024, average net oil production from the LLA-32 block was 1,600 bbl/d net (consisting of 1,254 bbl/d of light and medium crude oil and 2,079 Mcf/d of conventional natural gas) or 2,026 boe/d gross (consisting of 1,630 bbl/d of light and medium crude oil and 2,376 Mcf/d of conventional natural gas).

On March 14, 2025, Verano Energy (Switzerland) AG acquired an additional 25% working interest in the Azogue field in the LLA-32 block and a 12.5% working interest in the remainder of the LLA-32 block, resulting in a 100% working interest in LLA-32 for the Company. The Company paid total net consideration of $16.0 million. A 10% working interest of Verano Energy (Switzerland) AG in LLA-32 is subject to a 4% overriding royalty interest.

In 2025, Verano Energy (Switzerland) AG drilled 8 wells, resulting in 6 producing oil wells, 1 disposal well and 1 dry well. Average net oil production from LLA-32 in 2025 was 5,643 bbl/d net (consisting of 5,166 bbl/d light crude oil and medium crude oil and 2,864 Mcf/d of conventional natural gas) or 5,643 boe/d gross (consisting of 5,166 bbl/d light crude oil and medium crude oil and 2,864 Mcf/d of conventional natural gas).

6. Guatiquía Block (100% working interest)

Sabana Colombia holds a 100% working interest in Guatiquía, located in the Llanos Basin. The Guatiquía E&P Contract provides for an initial five-year and nine-month exploration period, extendable for up to four years, and a 24-year production period, with production areas expiring between 2036 and 2042. Guatiquía includes the Ceibo field (which comprises the former Ceibo, Avispa, Ardilla and Alligator fields) as well as the Yatay and Coralillo fields. Within the Guatiquía block, there are currently 31 medium crude oil producing wells. Production is primarily transported to the facilities at the Corcel block through pipelines and then to offloading stations for delivery into the national pipeline system.

7. VIM-1 Block (100% working interest)

Following the Frontera Acquisition, VIM-1 is an operated, 100% working interest E&P Contract held by Parex Resources (Colombia) AG (operator) and Sabana Colombia. The VIM-1 E&P Contract currently provides for a six-year exploration period and a 24-year production period expiring in September 2044. It is located in the Lower Magdalena Basin and includes the La Belleza oil and gas discovery.

In 2023, Parex completed gas facility work during the year. Average oil production from VIM-1 in 2023 was 1,730 boe/d net (consisting of 1,534 bbl/d of light crude oil and medium crude oil and 1,173 Mcf/d of conventional natural gas) or 3,460 boe/d gross (consisting of 3,069 bbl/d of light crude oil and medium crude oil and 2,346 Mcf/d of conventional natural gas).

In 2024, Parex completed gas facility work and civil works related to the Hidra-1 exploration well. Average oil production from VIM-1 in 2024 was 1,810 boe/d net (consisting of 1,751 bbl/d of light crude oil and medium crude oil and 355 Mcf/d of conventional natural gas) or 3,621 boe/d gross (consisting of 3,503 bbl/d of light crude oil and medium crude oil and 710 Mcf/d of conventional natural gas).

In 2025, Parex drilled the Guapo-1 exploration well, which was dry and abandoned following logging operations, as it was determined that hydrocarbon production was not commercial, as announced by the Company on January 12, 2026. Average oil production from VIM-1 in 2025 was 2,058 boe/d net (consisting of 1,780 bbl/d of light crude oil and medium crude oil and 1,669 Mcf/d of conventional natural gas) or 4,116 boe/d gross (consisting of 3,560 bbl/d of light crude oil and medium crude oil and 3,338 Mcf/d of conventional natural gas).

8. LLA-111 (100% working interest)

LLA-111 is an operated, 100% working interest E&P Contract held by Parex Resources (Colombia) AG. It is located in the Llanos Basin and was awarded to Parex through the Ronda Colombia 2021 competitive bidding process. The E&P Contract was signed on January 18, 2022, with the block currently in Phase 2 of the exploration period, expiring on August 26, 2028.

In 2026, Parex began a 10-well exploration program at LLA-111, utilizing a fit-for-purpose drilling rig with a streamlined well design. The program initially focuses on “near road” prospects with low-cost access.

9. *Capachos Block (50% working interest)*

Capachos is an operated block with a 50% working interest in the Department of Arauca, held by Parex Resources (Colombia) AG under a farmout agreement with Ecopetrol, which holds title to the block pursuant to a Convenio. On November 7, 2023, Parex entered into an amendment to the Capachos farmout agreement to extend the term of the agreement to 2046, subject to completion of the carry activities specified in the agreement.

In 2023, Parex completed the tie-in of the Capachos-3 and Capachos Sur-4 wells. Average net oil production from Capachos in 2023 was 3,310 boe/d net (consisting of 3,041 bbl/d of light crude oil and medium crude oil and 1,610 Mcf/d of conventional natural gas) or 6,619 boe/d gross (consisting of 6,083 bbl/d light crude oil and medium crude oil and 3,219 Mcf/d of conventional natural gas).

In 2024, Parex completed drilling the Andina Norte-2 well and spudded the Andina Este-1 well. Average net oil production from Capachos in 2024 was 3,741 boe/d net (consisting of 3,456 bbl/d of light crude oil and medium crude oil and 1,711 Mcf/d of conventional natural gas) or 7,482 boe/d gross (consisting of 6,912 bbl/d light crude oil and medium crude oil and 3,422 Mcf/d of conventional natural gas).

In 2025, Parex completed drilling the Andina 4 producing oil well and the Andina Este-1 well (under testing) and spudded the Andina-3 horizontal well. Average net oil production from Capachos in 2025 was 3,730 boe/d net (consisting of 3,439 bbl/d of light crude oil and medium crude oil and 1,745 Mcf/d of conventional natural gas) or 7,460 boe/d gross (consisting of 6,878 bbl/d light crude oil and medium crude oil and 3,490 Mcf/d of conventional natural gas).

10. LLA-74 Block (100% working interest)

LLA-74 is an operated, 100% working interest E&P Contract held by Parex Resources (Colombia) AG. It is located in the Llanos Basin and includes the Barnett and Yagarundi fields, which are in the evaluation phase expiring between December 2026 and January 2027, and the Namero field, which is in production, with the production area expiring in March 2050, subject to extension with ANH approval.

In 2025, Parex completed drilling 6 exploration wells during the year, resulting in 5 oil producing wells and one dry well, achieving commercial production and reserves. Average oil production from LLA-74 in 2025 was 2,224 bbl/d of heavy crude oil.

11. *Casabe and Llanito (50% working interest)*

Casabe and Llanito are fields in which Parex Resources (Colombia) AG holds a 50% participating interest pursuant to a BCA with Ecopetrol. The fields are located in the Middle Magdalena block, approximately 10 km from the Barrancabermeja refinery. The Casabe field consists of three fields (Casabe, Casabe Sur and Peñas Blancas), which began producing in 1946 and have been developed with over 1,790 wells. The Llanito field consists of four unified fields (Llanito, Galán, Gala and Cardales).

On May 4, 2026, Parex executed the BCA with Ecopetrol, committing to a gross capital program of US$250 million (US$125 million carry capital) over five years, in exchange for a 50% participating share of each field's existing base and incremental production from the start date of investment activities. Parex's base production participation will begin upon spudding the first well on each field. Parex acts as executor in all future drilling and capital activities, while Ecopetrol remains the operator of current and future production. Development plans will prioritize infill drilling, waterflood optimization, and enhanced oil recovery (EOR) initiatives. Collectively, the blocks currently produce approximately 14,900 gross bbl/d of medium crude oil.

12. Cubiro Block (100% working interest)

Sabana Colombia holds a 100% working interest in Cubiro, located in the Llanos Basin. The Cubiro E&P Contract provides for a 24-year production period, with production areas expiring between 2032 and 2038. Cubiro includes the Careto, Arauca, Barranquero (which includes the Cernícalo and Tijereto Sur fields), Copa, Copa A, Copa B, Copa C, Copa D, Petirrojo, Petirrojo Sur and Yopo fields.

Sabana Colombia challenged the ANH's 2021 decision to unify the Copa, Copa A, Copa B and Copa C fields through annulment proceedings and arbitration. In March 2025, the arbitral tribunal issued an award recognizing Sabana Colombia's contractual rights. Both parties subsequently filed annulment actions, and the matter remains pending final resolution.

Sabana Colombia has granted a 3% private royalty to Jache S.A.S., calculated on the sales value of hydrocarbons produced from the block. There are 23 light crude oil producing wells within Cubiro. Production is primarily transported by truck to offloading stations for delivery into the national pipeline system.

Pipeline Operations

The Company has a dedicated transportation and trading team responsible for transporting, blending, storing and exporting its oil and gas production and associated sales. The Company's transportation and trading strategy is to optimize the price and costs associated with selling produced oil and gas, including developing oil blends to meet market demand and optimizing storage opportunities. The Company primarily utilizes Colombia's well-developed national pipeline system, which comprises over 9,000 kilometres of crude and refined product pipelines.

Key pipelines used by Parex Resources (Colombia) AG and Verano Energy (Switzerland) AG include the Ocensa pipeline (approximately 837 kilometres with a capacity of 745,000 bbl/d), which transports crude from the Llanos Basin to the Coveñas export terminal on the Caribbean coast, and the Oleoducto de los Llanos Orientales (ODL), which connects production from the southern Llanos Basin to the Ocensa system. LLA-34 connects to the ODL through the Oleoducto del Casanare (ODCA), a 42-kilometre pipeline that runs from the Jacana and Tigana stations in LLA-34 to the Jagüey station on the ODL. For certain blocks without direct pipeline access, or where pipeline capacity is constrained, trucking is utilized to transport crude oil to offloading stations that connect to the national pipeline system.

Sabana Colombia transports production from Quifa by infield flowlines to water management facilities for fluid processing and then to the ODL pipeline, which connects to the national pipeline system. For the CPE-6 block, production is transported by truck and barge to the Puerto Bahía terminal in the Bay of Cartagena. In addition, Sabana Colombia has minority participating interests in certain pipelines that support its operations. The following table summarizes the main pipelines in which Sabana Colombia has an interest.

Pipeline	Product Transported	Km	Pipeline Capacity (bbl/d)	Origin	Destination	Interest
OAM Pipeline	Crude Oil	391.4	100,000(1)	Tenay	Vasconia	5.45% W.I. pursuant to a construction and operation contract
ODC Pipeline	Crude Oil	483	36,000(2)	Vasconia	Coveñas	1.00% W.I. through an equity interest in Oleoducto de Colombia S.A.
OGD Pipeline	Crude Oil	63.7	40,000	Guaduas	La Dorada	100% W.I.

(1) Sabana Colombia has transportation rights of up to 5,450 bbl/d and additional capacity of up to 30,000 bbl/d, subject to available capacity from the other owners.
(2) Sabana Colombia has transportation rights of up to 2,000 bbl/d and additional capacity subject to available capacity from the other owners.

Exploration Opportunities

The Company's exploration activities are focused on identifying and advancing opportunities that complement its existing producing asset base while maintaining a disciplined approach to capital allocation. Exploration efforts include near-field prospects located proximal to existing fields and infrastructure, where subsurface understanding, access and facilities may support lower-cost evaluation and potential tie-in efficiencies if successful. In addition, the Company evaluates selected higher-impact exploration opportunities in less developed areas, which, while carrying higher geological and execution risk, may offer material resource potential.

Under its E&P Contracts with the ANH, the Company holds exploration and production rights on multiple onshore blocks in Colombia's Llanos and Magdalena Basins. These E&P Contracts provide access to a range of exploration prospects adjacent to existing producing areas, with potential near-field evaluation opportunities that leverage existing subsurface data and infrastructure. In addition, the Company has executed a series of agreements with Ecopetrol that expand its exploration footprint. These include multiple BCAs under which the Company may earn working interest in several blocks in the Putumayo Basin and in the Llanos Foothills. Through these arrangements with Ecopetrol, the Company's exploration program encompasses prospects targeting underexplored liquids-rich and gas-prone plays, including defined prospects such as Gibraltar Profundo, Floreña Huron and Farallones, within broader, contiguous geological trends that extend existing infrastructure and partner land positions.

3.2.4 LABOUR RELATIONS

As of June 30, 2026, the date of the interim financial statements supporting this Prospectus, the Company and its subsidiaries employ 1,100 direct employees across its operations in Colombia and Canada. In addition, the Company has 21 consultants and 4,672 persons engaged through third parties across its exploration, development and production operations.

Pursuant to numeral 2.3.7.2.11 of Chapter II of Title I of Part III of the SFC's Basic Legal Circular, the following is the composition of the workforce of the Company and its subsidiaries (Calgary office, Parex Colombia branch and Frontera branch) by type of employment as of June 30, 2026 and its variation compared to December 31, 2025:

- Direct employees with indefinite-term contracts: 1,044 as of June 30, 2026, compared to 1,050 as of December 31, 2025 (variation of -0.57%).

- Employees with fixed-term or temporary contracts: 56 as of June 30, 2026, compared to 60 as of December 31, 2025 (variation of -6.67%).

- Apprentices: 60 as of June 30, 2026, compared to 75 as of December 31, 2025 (variation of -20.00%). In addition, the Company had 21 consultants (compared to 20; variation of 5.00%) and 4,672 persons engaged through third parties (compared to 4,086; variation of 14.34%).

- Total direct employees (indefinite-term and fixed-term or temporary): 1,100 as of June 30, 2026, compared to 1,110 as of December 31, 2025 (variation of -0.90%).

The branch of Sabana Colombia is unionized. As of October 2026, 514 employees of the Company and its subsidiaries were unionized, representing approximately 47% of total direct employees as of June 30, 2026. The following collective instruments entered into by Sabana Resources (formerly Frontera Energy Colombia Corp) are currently in effect: (i) the Collective Labour Agreement (Convención Colectiva de Trabajo) entered into with UTIPEC, in effect from September 24, 2025 to September 23, 2031; (ii) the Single Labour Agreement (Convenio Único Laboral) entered into with UTIPEC, in effect from September 24, 2025 to September 23, 2031; and (iii) the Arbitration Award (Laudo Arbitral) issued in relation to the USO, in effect until December 2026 and subject to extension every six (6) months. The remainder of the Company's workforce is not unionized and no other collective bargaining agreements are currently in effect. During the last three (3) years, the activities of the Company and its subsidiaries have not experienced total or partial interruptions arising from labour relations disputes involving direct employees. In particular, since the Company's acquisition of Frontera E&P on June 1, 2026, the branch of Sabana Colombia has not experienced any work stoppages, strikes or material labour disputes.

As to work shifts, the Calgary office has core hours from 8:30 a.m. to 4:00 p.m., within an eight-hour workday. The Parex Colombia branch works Monday through Friday from 8:00 a.m. to 5:00 p.m. (with a one-hour lunch break) and on Saturdays from 8:00 a.m. to 10:00 a.m., when required. The Frontera branch manages various shifts and rotations for its office and field personnel, including 5x2, 11x10 - 12x9, 14x7, 14x7x7 and 20x11 schedules, as well as flexible Monday-through-Friday schedules agreed with the supervisor.

3.2.5 RECENT TRANSACTIONS

On June 1, 2026, Parex, through its wholly-owned subsidiary Parex AcquisitionCo Inc., acquired all of the issued and outstanding common shares of Frontera E&P, which held all of Frontera's Colombian upstream business, comprising Frontera's oil and gas exploration and production assets in Colombia, its reverse osmosis water treatment facility and its palm oil plantation.

The Acquisition Agreement provides for cash consideration of US$500 million (subject to customary adjustments), which was paid to Frontera on June 1, 2026, plus an additional contingent payment of US$25 million if the term of the Company's contract in respect of the Quifa area is extended before the first anniversary of the completion of the acquisition. Parex also assumed all of Frontera's obligations under Frontera's US$310 million of aggregate principal amount of outstanding senior unsecured notes due 2028, as well as the US$80 million outstanding under Frontera's prepayment facility with Chevron Products Company.

In connection with the acquisition, Parex completed a private placement offering on May 11, 2026, of US$500 million aggregate principal amount of senior unsecured notes due 2031. A portion of the net proceeds of that offering was used to fund the consideration for the acquisition.

Concurrent with the completion of the acquisition, Parex also entered into an amendment to its credit agreement with The Bank of Nova Scotia and a syndicate of financial institutions, which provides for a

US$220 million syndicated credit facility and a US$20 million operating facility. The credit facility is secured by the Company's Colombian assets.

For further information on the unsecured notes and the credit facility, see section 7.17 – Loans or Contingencies Representing 5% or More of the Total Liabilities of the Consolidated Financial Statements of the Last Fiscal Year.

3.2.6 ISSUER STRATEGY

Parex's strategy focuses on three strategic pillars designed to leverage its competitive advantages, maximize the value of its asset base, and deliver sustainable long-term returns for stakeholders.

Investing in Technology to Optimize Capital Efficiency

Parex invests in proven technologies to maximize capital efficiency and unlock the full potential of its resource base. Enhanced oil recovery, horizontal and multilateral drilling, and advanced seismic imaging are deployed across the portfolio to improve recovery factors, reduce production declines, lower sustaining capital requirements, and enhance long-term value creation.

Increased Onshore Gas Production

Parex is expanding onshore gas production from liquids-rich reservoirs, targeting world-class gas opportunities with attractive long-term market fundamentals and premium pricing. The Llanos Foothills exploration program, operated in partnership with Ecopetrol, provides significant gas development potential within a proven hydrocarbon fairway and is expected to become an increasingly important contributor to the Company's long-term growth.

Pursuing High-Impact Exploration

Parex pursues high-impact exploration through a disciplined portfolio approach that balances risk and return across its extensive acreage position. The Company maintains a robust exploration pipeline, with approximately 140 projects under initial evaluation, 50 to 70 prospects undergoing technical and risk assessment, and 20 to 30 drill-ready opportunities, providing a sustainable inventory of future growth opportunities.

Frontera Acquisition Accelerates Parex's Strategy

The Frontera Acquisition strengthens each of Parex's strategic pillars by increasing the Company's scale, diversifying its production and asset base, and reducing operational and cash flow volatility. The combined portfolio establishes Parex as the largest independent exploration and production company in Colombia, with expected pro forma average production of 63,000 to 67,000 boe/d in 2026.

The acquisition combines two complementary, oil-weighted portfolios in basins where Parex has extensive operating experience, creating opportunities to apply its technical expertise, improve capital efficiency, and optimize asset performance. The acquired assets are expected to provide more than 15 years of low-decline production and significant free cash flow, supporting deleveraging while funding future development and high-impact exploration opportunities across the expanded portfolio.

4. ORGANIZATIONAL STRUCTURE OF THE ISSUER

4.1 ORGANIZATIONAL STRUCTURE

The organizational structure of the Company comprises the Board of Directors, which supervises the management of the business and affairs of the Company, various committees of the Board, and a senior management team responsible for the day-to-day operations of the Company and its subsidiaries. The

Company is committed to maintaining high standards of corporate governance in accordance with best practices recognized in both Canadian and Colombian capital markets.

4.2 BOARD OF DIRECTORS

4.2.1 MEMBERS OF THE BOARD OF DIRECTORS

The following table sets forth the name of each director, their position, date of appointment and committee memberships:

Director	Position	Date of Appointment	Committee Memberships
Lynn Azar	Director	July 13, 2022	Finance & Audit Committee Human Resources & Compensation Committee
Alberto Consuegra	Director	June 1, 2025	HSE & Reserves Committee Finance & Audit Committee
Sigmund Cornelius	Director	May 14, 2020	Finance & Audit Committee (Chair) HSE & Reserves Committee
Mona Jasinski	Director	May 8, 2025	Human Resources & Compensation Committee (Chair) Corporate Governance & Nominating Committee
Jeff Lawson	Director	May 8, 2025	HSE & Reserves Committee Corporate Governance & Nominating Committee
G. R. (Bob) MacDougall	Director	October 4, 2016	HSE & Reserves Committee (Chair) Finance & Audit Committee
Glenn McNamara	Director and Chair of the Board	October 4, 2016	-
Imad Mohsen	President and CEO, and Director	February 4, 2021	-
Carmen Sylvain	Director	July 7, 2017	Corporate Governance & Nominating Committee (Chair) Human Resources & Compensation Committee

4.2.2 COMPOSITION

The Board of Directors currently consists of nine members, eight of whom are independent. Imad Mohsen, who is the current President and Chief Executive Officer of the Company, is not considered to be independent. In accordance with the ABCA and TSX requirements, the Board of Directors must consist of a minimum of three members and must have at least two independent directors. NI 52-110 requires the Board of Directors to include at least three members who are independent and financially literate, subject to limited exceptions. The articles of the Company prescribe the maximum number of directors to be 11.

4.2.3 MEETINGS AND RESOLUTIONS

In accordance with the Company's by-laws, Board meetings shall be held from time to time at such time and at such place as the Board, the chair of the Board, the managing director, the president or any two directors may determine. The quorum for the transaction of business at any meeting of the Board shall consist of a majority of the directors holding office or such greater number of directors as the Board may from time to time determine and, subject to certain exceptions, directors shall not transact business at a meeting of directors unless at least one-quarter of the directors present are resident Canadians. Unless the Board has made regulations otherwise, meetings of the Board may be summoned on 24 hours' notice, given verbally or in writing, and whether by means of telephone or telegraph, electronic means or any other means of communication.

Questions arising at any meeting of the Board shall be decided by a majority of votes, and in the event of any equality of votes, the chair of the meeting shall not be entitled to a second or casting vote.

Resolutions of the Board may also be passed by resolution in writing signed by all of the directors entitled to vote on that resolution.

4.2.4 DESCRIPTION OF FUNCTIONS

The Company has established written mandates for the Board and each committee of the Board, detailing their composition, duties and responsibilities. In addition, the Board has developed a written position description for the Chair of the Board and the Chair of each committee of the Board. The Board and its committees operate in accordance with applicable corporate legislation, the Company's articles and by-laws, and their prescribed mandates.

The Board is responsible for managing and supervising the management of the business and affairs of the Company, acting honestly and in good faith with a view to the best interests of the Company, and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In particular, the Board's duties include, but are not limited to: (i) selecting management and succession planning; (ii) overseeing management; (iii) overseeing strategic operating and capital plans; (iv) overseeing ESG matters in connection with the Company; (v) reviewing new business development and exploration opportunities; (vi) approving and monitoring compliance with the Company's significant policies and procedures; and (vii) overseeing the Company's corporate communications and compliance reporting.

The Company has established the Finance and Audit Committee, the Human Resources and Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety and Environment and Reserves Committee of the Board, each currently comprised entirely of independent directors.

Matters requiring Board approval include, but are not limited to:

(a) appointment and remuneration of all officers;

(b) entering into of agreements with the Company respecting the retirement from employment with the Company by a director or officer of the Company or a subsidiary;

(c) annual operating and capital plans and budgets;

(d) establishment of credit facilities and borrowings;

(e) issuance of additional shares or other securities;

(f) repurchase of Common Shares in accordance with applicable securities laws;

(g) the Company's annual ESG report and other ESG-related public disclosure documents;

(h) payment of dividends;

(i) quarterly and annual financial reports; and

(j) required reporting under National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators.

4.2.5 MECHANISMS TO GUARANTEE INDEPENDENCE

In accordance with the Board's mandate, the Board must develop and voice objective judgment on corporate affairs, independently of management. Practices promoting Board independence are to be pursued by the Board. This includes constituting the Board with a majority of independent directors (as defined in section 1.4 of NI 52-110).

Certain tasks suited to independent judgments are to be delegated to specialized Board committees that are comprised of a majority or entirely of independent directors. The Board develops broad standards to determine whether directors are independent and will conduct, on at least an annual basis, a determination of the independence of each of its members. The Board discloses both the standards and the annual determinations as required by law.

Any director who is not independent or whose circumstances change such that he or she might be considered to be no longer independent must promptly advise the Board of the change in circumstances.

4.2.6 INDEPENDENCE REQUIREMENTS

In accordance with the Board's mandate and National Instrument 58-101 – Disclosure of Corporate Governance Practices of the Canadian Securities Administrators, the meaning of "independence" for Board members is as set out in section 1.4 of NI 52-110:

(1) A member is independent if he or she has no direct or indirect material relationship with the issuer (including a subsidiary).

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual with certain relationships with the issuer's internal or external auditor (e.g., a partner or employee of such auditor or having been a partner or employee of such auditor within the past three years and having involvement in the issuer's audit);

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual has certain relationships with the issuer's internal or external auditor;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) subject to prescribed exceptions, an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than C$75,000 in direct compensation from the issuer during any 12-month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer if such relationship under subsection (3) ended before prescribed historical dates.

(5) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member previously acted as an interim chief executive officer of the issuer or acts or previously acted as a chair or vice-chair of the board of directors or any board committee on a part-time basis.

4.2.7 ADDITIONAL INDEPENDENCE REQUIREMENTS

Additional independence requirements are imposed on members of the Finance and Audit Committee. Under section 1.5 of NI 52-110, an audit committee member is deemed to have a material relationship with the issuer if they:

(1) accept, directly or indirectly, any consulting, advisory or other compensatory fee (not including fixed amounts of compensation under a retirement plan for prior service, as long as its payment is not contingent on continued service) from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(2) are an affiliated entity of the issuer or any of its subsidiary entities.

4.2.8 ELECTION OF BOARD MEMBERS

In accordance with the Company's articles and by-laws and the ABCA, the election of directors shall take place at each annual meeting of shareholders and directors shall hold office for a term expiring not later than the close of the next annual meeting of shareholders following the election. Subject to certain exceptions, a quorum of directors may fill a vacancy among the directors, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure to elect the number or minimum number of directors required by the articles.

The ABCA and the articles of the Company permit the directors to, between annual general meetings, appoint one or more additional directors of the Company to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed one-third of the number of directors who held office at the expiration of the last annual general meeting of the Company.

4.3 SENIOR MANAGEMENT OF THE ISSUER

The Company's senior leadership as at the date of this Prospectus (June 30, 2026) is set out in the following table:

Name	Position
Daniel Ferreiro	President & Country Manager of Parex Resources (Colombia)
Eric Furlan	Chief Operating Officer
Cameron Grainger	Chief Financial Officer
Imad Mohsen	President and CEO, and Director
Mike Kruchten	Sr. Vice President, Capital Markets & Corporate Planning
Joshua Share	Sr. Vice President, Corporate Services
Katie Bernard	Sr. Vice President, New Ventures

4.4 FINANCE AND AUDIT COMMITTEE INFORMATION

Terms of Reference of the Finance and Audit Committee

The Terms of Reference of the Finance and Audit Committee are attached as Exhibit "C" to the Company's Annual Information Form dated March 3, 2026 for the year ended December 31, 2025, which is available on the Company's SEDAR+ profile at www.sedarplus.ca.

Composition of the Finance and Audit Committee

The members of the Finance and Audit Committee are Sigmund Cornelius (Chair), Lynn Azar, Alberto Consuegra and G.R. (Bob) MacDougall. All members of the Finance and Audit Committee are independent (in accordance with NI 52-110) and are financially literate.

Pre-approval Policies and Procedures

The Finance and Audit Committee has adopted a policy to review and pre-approve any non-audit services to be provided to Parex by the external auditors and consider the impact on the independence of such auditors. The Finance and Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member reports to the Finance and Audit Committee at the next scheduled meeting such pre-approval and the member complies with such other procedures as the Finance and Audit Committee may establish from time to time.

Fees for the Services of the External Auditor

The Finance and Audit Committee has reviewed the nature and amount of the non-audit services provided by PricewaterhouseCoopers LLP to the Company to ensure the independence of the auditor. The fees paid to PricewaterhouseCoopers LLP for audit and non-audit services in the last two fiscal years are described below:

- Audit Fees: USD 756,322 (2025) and USD 719,166 (2024). Audit Fees include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements, as well as audit or other attestation services required by law or regulation.

- Audit-Related Fees: USD 84,250 (2025) and USD 0 (2024). Audit-Related Fees include services that are traditionally performed by the auditor.

- Tax Fees - Compliance: USD 65,628 (2025) and USD 115,601 (2024). They include fees related to tax compliance work for statutory tax obligations in the international jurisdictions in which the Company operates.

- Tax Fees - Consulting: USD 87,146 (2025) and USD 43,232 (2024). Include fees for all tax services other than those included in Audit Fees and Audit-Related Fees.

- Other Fees: USD 0 (2025) and USD 109,509 (2024). They include all other non-audit products and services.

- Total: USD 993,346 (2025) and USD 987,508 (2024).

4.5 SHAREHOLDINGS OF THE DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

As of June 30, 2026, the directors and executive officers of the Company, as a group, beneficially own or control or direct, directly or indirectly, approximately 751,920 Common Shares constituting approximately 0.8% of the issued and outstanding Common Shares.

4.6 SHARE-BASED COMPENSATION PLANS AND STOCK OPTIONS

The Company's share-based compensation plans include a stock option plan (the "**Option Plan**"), a cash or share settled restricted share unit plan (the "**Cash/Share Settled RSU Plan**") and a restricted share unit plan (longer duration) (the "**LDRSU Plan**"). Incentive awards may be granted pursuant to these compensation plans to directors, officers and employees of Parex or its subsidiaries, as applicable (collectively, the "**Service Providers**"). The general purpose of such awards is to: (a) aid in attracting, retaining and motivating Service Providers; (b) more closely align the interests of Service Providers with those of Parex's shareholders; (c) focus such Service Providers on operational and financial performance and long-term shareholder value; and (d) motivate and reward Service Providers for their performance and contributions to the Company's long-term success.

Stock Option Plan

The Company's Option Plan is effective as of October 30, 2009 and was amended most recently on March 3, 2026. As part of its long-term incentive program, the Company grants stock options to purchase Common Shares ("**Options**") under its Option Plan.

Under the Option Plan, the exercise price of each Option is determined at the discretion of the Board of Directors at the time of the granting of the Option, as are the term and vesting provisions, provided that the exercise price shall not be less than the closing trading price per Common Share on the TSX on the last trading day preceding: (i) the issuance of a news release in respect of the Option grant; or (ii) if a news release is not issued announcing the Option grant, the date of grant, and provided that no Option shall have a term exceeding five years. In the absence of any determination by the Board of Directors as to vesting, vesting shall be as to one third on each of the first, second and third anniversaries of the date of grant.

The Option Plan is a "rolling" plan reserving a maximum of 5.0% of the issued and outstanding Common Shares for issuance pursuant to Options, provided that the maximum number of Common Shares issuable under the Option Plan and all other security-based compensation arrangements of the Company (as defined in the TSX Company Manual, which includes the LDRSU Plan) may not exceed 5.0% of the Common Shares outstanding from time to time. Other restrictions on the issuance of Options include the following:

- the aggregate number of Common Shares reserved for issuance to any one Insider (as defined in the Option Plan) pursuant to the Option Plan, together with all other share compensation arrangements of Parex, must not exceed 5.0% of the outstanding issue of Common Shares;

- the aggregate number of Common Shares issued to Insiders pursuant to the Option Plan, together with all other share compensation arrangements of Parex, within a 12-month period, must not exceed 5.0% of the outstanding issue of Common Shares;

- the aggregate number of Common Shares reserved for issuance to Insiders pursuant to the Option Plan, together with all other share compensation arrangements, at any time, must not exceed 5.0% of the issued and outstanding Common Shares;

- the aggregate number of Common Shares reserved for issuance pursuant to the Option Plan to any one participant employed to provide investor relations activities (as defined in the Option Plan) within a 12-month period, must not exceed 2.0% of the outstanding issue of Common Shares;

- the aggregate number of Common Shares reserved for issuance to all non-management directors pursuant to the Option Plan cannot exceed 1.0% of the outstanding issue of Common Shares; and

- the aggregate value of all Options (calculated as of the date of grant) granted pursuant to the Option Plan to any non-management director cannot exceed C$100,000 in any 12-month period.

As at **June 30, 2026**, the Company had Options outstanding under the Option Plan to acquire 1,220,293 Common Shares, representing 1.27% of the issued and outstanding Common Shares as of that date, leaving up to 822,386 Common Shares available for future grants under the Option Plan, after taking into account grants made under the Company's other security-based compensation plans, which reduce the unallocated entitlements.

Cash or Share Settled Restricted Share Unit Plan

The Company's Cash/Share Settled RSU Plan was initially approved by the Board of Directors on February 7, 2019, and was amended most recently on March 3, 2026. The Cash/Share Settled RSU Plan allows the Board of Directors to grant cash or share settled restricted share units ("**CosRSUs**") and cash or share settled performance share units ("**CosPSUs**"), each of which is a right to receive a cash payment or Common Shares purchased on the open market by the plan agent.

The Board of Directors administers the Cash/Share Settled RSU Plan and has the authority to: (a) determine the Service Providers to whom CosRSUs and CosPSUs may be granted; and (b) grant CosRSUs and CosPSUs on such terms and conditions as it determines. In the absence of any determination by the Board of Directors to the contrary, CosRSUs will vest and be settled as to one-third of the total number of CosRSUs granted on each of the first, second and third anniversaries of the grant date, and all CosPSUs will vest on the third anniversary of the grant date thereof.

Prior to a vesting date in respect of any CosPSU, the Board of Directors will assess the performance of Parex for the applicable period based upon the performance measures, as determined by the Board of Directors. The corporate performance measures considered by the Board of Directors may include, but are not limited to: (a) total shareholder return, absolute or relative; (b) the market price of the Common Shares from time to time; (c) the financial performance or results of Parex; (d) other operational or performance criteria relating to Parex; (e) activities related to the growth of Parex; (f) health and safety performance of Parex; (g) the execution of Parex's strategic plan as determined by the Board of Directors; and (h) such additional or other measures as the Board of Directors will consider appropriate in the circumstances. The weighting of individual measures comprising the performance measures will be determined by the Board of Directors in its sole discretion having regard to the principal purposes of the Cash/Share Settled RSU Plan and upon such assessment, the Board of Directors will determine the applicable payout multiplier, which will not be less than zero and not more than two.

As at **June 30, 2026**, the Company had 1,253,843 CosRSUs and 251,439 CosPSUs issued and outstanding.

Restricted Share Unit Plan (Longer Duration)

The Company's LDRSU Plan was initially approved by the Board of Directors on March 25, 2024 and by the Company's shareholders on May 9, 2024. The LDRSU Plan allows the Board of Directors to grant longer duration restricted share units ("**LDRSUs**") and longer duration performance share units ("**LDPSUs**"), each of which is a right to receive a cash payment, Common Shares purchased on the open market by the plan agent, or Common Shares issued from treasury ("**Treasury Shares**"). The LDRSU Plan replaced the Cash/Share Settled RSU Plan on a go-forward basis for executives.

The Board of Directors administers the LDRSU Plan and has the authority to: (a) determine the Service Providers to whom LDRSUs may be granted; and (b) grant LDRSUs on such terms and conditions, and in such numbers, as it determines. In the absence of any determination by the Board of Directors to the contrary, the LDRSUs will have a term of ten years from the grant date and will vest and be settled as to one-third of the total number of LDRSUs granted on each of the first, second and third anniversaries of the date of grant, and all LDPSUs will vest on the third anniversary of the date of grant thereof.

In respect of each vesting date in respect of any LDPSU, the Board of Directors will assess the performance of Parex for the applicable period based upon the performance measures applicable to such LDPSUs, in its sole discretion, and, upon the assessment of all performance measures and any other factors that it deems relevant, the Board of Directors shall determine the applicable performance multiplier for such vested LDPSUs.

Under the LDRSU Plan, the maximum number of Treasury Shares reserved for issuance pursuant to outstanding LDRSUs and LDPSUs at any time will be 4,000,000 Common Shares and, among other restrictions, the maximum number of Treasury Shares issuable pursuant to the LDRSU Plan and all other security-based compensation arrangements of the Company (as defined in the TSX Company Manual) may not exceed 5.0% of the Common Shares outstanding from time to time. As at **June 30, 2026**, the Company had 401,654 LDRSUs and 833,153 LDPSUs issued and outstanding.

Directors of the Company have not been granted Options since 2013. The following table summarizes the Company's Options that were outstanding as at June 30, 2026 for its Named Executive Officers (as defined under Form 51-102F6 – Statement of Executive Compensation of the Canadian Securities Administrators), which are those officers in respect of which the Company must provide compensation disclosure under Canadian securities laws. In addition to Options, the directors and Named Executive Officers of the Company hold, as applicable, LDRSUs, LDPSUs, CosRSUs and CosPSUs. Current information on the holdings of the Company's directors and officers is available on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.

Name and Principal Position	Grant Date	Number of securities underlying unexercised Options	Options exercise price (C$/Common Share)	Option expiration date	Value of unexercised in-the-money Options (C$)(1)
Imad Mohsen	7-Feb-2022	25,780	27.02	7-Feb-2027	Nil
President and CEO	6-Feb-2023	35,008	22.77	6-Feb-2028	Nil
	4-Mar-2024	46,693	21.06	4-Mar-2029	15,409
	6-Mar-2025	113,208	12.74	6-Mar-2030	979,249
	13-Mar-2026	63,625	25.72	13-Mar-2031	Nil

Name and Principal Position	Grant Date	Number of securities underlying unexercised Options	Options exercise price (C$/Common Share)	Option expiration date	Value of unexercised in-the-money Options (C$)(1)
Cam Grainger Chief Financial Officer	7-Feb-2022	3,812	27.02	7-Feb-2027	Nil
	6-Feb-2023	4,806	22.77	6-Feb-2028	Nil
	4-Mar-2024	7,058	21.06	4-Mar-2029	2,329
	6-Mar-2025	40,094	12.74	6-Mar-2030	346,813
	13-Mar-2026	22,366	25.72	13-Mar-2031	Nil
Eric Furlan Chief Operating Officer	7-Feb-2022	12,480	27.02	7-Feb-2027	Nil
	6-Feb-2023	15,684	22.77	6-Feb-2028	Nil
	4-Mar-2024	20,047	21.06	4-Mar-2029	6,616
	6-Mar-2025	48,606	12.74	6-Mar-2030	420,442
	13-Mar-2026	27,285	25.72	13-Mar-2031	Nil
Michael Kruchten SVP Capital Markets and Corporate Planning	7-Feb-2022	10,336	27.02	7-Feb-2027	Nil
	6-Feb-2023	12,963	22.77	6-Feb-2028	Nil
	4-Mar-2024	16,569	21.06	4-Mar-2029	5,468
	6-Mar-2025	40,173	12.74	6-Mar-2030	347,497
	13-Mar-2026	23,904	25.72	13-Mar-2031	Nil
Daniel Ferreiro President & Country Manager (Colombia)	7-Feb-2022	8,801	27.02	7-Feb-2027	Nil
	6-Feb-2023	10,988	22.77	6-Feb-2028	Nil
	4-Mar-2024	14,786	21.06	4-Mar-2029	4,879
	6-Mar-2025	35,849	12.74	6-Mar-2030	310,094
	13-Mar-2026	24,797	25.72	13-Mar-2031	Nil

Notes:

(1) Based on the difference between the closing price of the Common Shares on the TSX on June 30, 2026 of C$21.39 and the exercise price of the Options.

4.7 EXPERT INTERESTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators, by the Company other than GLJ Ltd., the Company's independent reserves evaluators, and PricewaterhouseCoopers LLP, Chartered Professional Accountants, the Company's auditors. None of the principals of GLJ Ltd. had any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of the

Company's associates or affiliates at the time they prepared the statement, report or valuation prepared by it or had received such interest at any time thereafter.

The Company's independent auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have prepared an independent auditor's report dated March 3, 2026 in respect of the Company's consolidated financial statements as at December 31, 2025 and December 31, 2024 and for the years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company in accordance with the Rules of Professional Conduct as outlined by the Chartered Professional Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

5. ISSUER RISK INFORMATION

A potential Investor should carefully consider the factors listed below when deciding whether to invest in Parex securities. An investment in Parex securities is suitable only for those Investors who are willing to risk the loss of their entire investment. Investors must rely on the skill, expertise, judgment, discretion, integrity and good faith of Parex's management. Investment in Parex's securities is speculative and involves a high degree of risk due to the nature of Parex's approach to the oil and natural gas exploration business. The following are certain risk factors related to Parex's business that prospective Investors should carefully consider before deciding to purchase Parex securities.[4]

5.1 OPERATIONAL RISKS

5.1.1 SOCIAL DISRUPTIONS AND INSTABILITY

The oil and natural gas exploration, development and operating activities conducted by Parex may, at times, be subject to disruption or conflict. Parex operates in Colombia. In Colombia, companies operating in the oil and gas industry have experienced interruptions to their operations and production curtailments as a result of social instability and labour disruptions that may include community-led blockades, protests and other forms of civil unrest that can directly interfere with access to and operation of oil and gas assets.

Parex has experienced and continues to experience interruptions to operations as a result of social instability. The Company cannot provide assurances that this type of labour disruption, social instability or public order disruption will not be experienced in future. The potential impact of such disturbances on the oil and gas industry in Colombia, and on the Company's operations in particular, is not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, the ability to move equipment such as drilling rigs from site to site, or disruption of infrastructure facilities, including pipelines, production facilities, public roads, and off-loading stations, which could be targets or experience collateral damage as a result of social instability, labour disputes or protests. Parex may suffer loss of production or be required to incur significant costs in the future to safeguard its assets against such activities, incur standby charges on stranded or idle equipment or to remediate potential damage to the Company's facilities. There can be no assurance that Parex will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may, in part, not be insurable in the event the Company does suffer damage.

[4] As permitted by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, management has limited the scope of its design of DCP and ICFR to exclude the controls, policies and procedures of the acquired Frontera business as at June 30, 2026. National Instrument 52-109 permits an issuer to limit the scope of the design of DCP and ICFR to exclude an acquired business for a period of up to 365 days from the acquisition date. During this period, management will continue its assessment and integration of the acquired business, including the design and implementation of appropriate controls.

5.1.2 MINIMUM WORK COMMITMENTS ON EXPLORATION BLOCKS

Parex must fulfill certain minimum work commitments on certain projects in Colombia. There are no assurances that all of these commitments will be fulfilled within the required time frames. As such, Parex may lose certain exploration rights on the blocks affected and may be subject to certain regulatory penalties imposed by the ANH or contractual remedies sought by Ecopetrol, as applicable.

5.1.3 TITLE TO ASSETS

The assignment of working interests under the E&P Contracts in the jurisdictions in which the Company operates is a detailed and time-consuming process. The Company's properties may be subject to unforeseen title claims, including, among others, claims by indigenous communities. Title to assets in Colombia is by way of an undivided working interest provided by the E&P Contracts, the BCAs with Ecopetrol, or Convenios signed with the ANH and Ecopetrol. While the Company will diligently investigate title to all property and will follow usual industry practice in obtaining satisfactory title opinions, and, to the Company's knowledge, title to all of the Company's properties is in good standing, this should not be construed as a guarantee of title. Title to the properties may be affected by undisclosed and undetected defects. The Company does not warrant title to the oil and natural gas properties.

5.1.4 NON-OPERATED RISK OF SIGNIFICANT ASSETS

The majority of the Company's oil production and oil reserves are attributed to block LLA-34. While the Company holds a 55% working interest in LLA-34, the Company is not the operator of the block. As a result, the Company may not have the ability to manage the development of the blocks' oil and natural gas reserves at the pace that the Company would choose. Further, managing the cost of development is largely the responsibility of the operator of the block. Historically, the operator of block LLA-34 and the Company have agreed on the exploration and development efforts for the block. The joint operating agreement for the block provides the Company with certain protection, such as the right to audit the operator, the right to approve all capital plans for the block and the approval of an annual capital and operating budget.

5.1.5 DIVERSIFICATION

The Company's business focuses on the oil and gas industry in Colombia. Other companies have the ability to manage their risk by diversification; however, the Company lacks diversification in terms of the geographic scope of its business. As a result, factors affecting the industry or the regions in which it operates will likely impact the Company more acutely than if the Company's business were more diversified.

5.1.6 EXPANSION INTO NEW ACTIVITIES

The operations and expertise of management are currently focused primarily on oil and gas production, exploration and development in Colombia. In the future, the Company may acquire or move into new industry-related activities or new geographical areas and acquire different energy-related assets, and, as a result, may face unexpected risks or, alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

5.1.7 RESERVE ESTIMATES

There are numerous uncertainties inherent in estimating reserves and the future cash flows attributed to such reserves. The reserves and associated cash flow information disclosed by the Company are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties; production rates; ultimate reserve recovery; timing and amount of capital expenditures; marketability of oil and natural gas; royalty rates; and the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof, and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable Canadian securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows disclosed by the Company. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Company's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Company's reserves since that date.

5.1.8 COMPETITION IN THE OIL AND NATURAL GAS INDUSTRY

The petroleum industry is competitive in all of its phases. The Company competes with numerous other entities in the exploration, development, production and marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, methods and reliability of delivery and storage.

5.1.9 EXPLORATION, DEVELOPMENT AND PRODUCTION RISKS

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop, and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Company's existing reserves and the production from them will decline over time as the Company produces from such reserves. A future increase in the Company's reserves will depend on both the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

The Company is exposed to a high level of exploration risk. The Company's current and future proved reserves (to the extent discovered or acquired) will decline as reserves are produced from its properties unless the Company is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital-intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance that the Company's future exploration, development and acquisition activities will result in material additions of proved reserves. To manage this risk, to the extent possible, Parex employs highly experienced geologists and geophysicists and technology such as 3D seismic as a primary exploration tool and focuses exploration efforts on known hydrocarbon-producing basins. In addition, the Company takes a portfolio approach to exploration by dispersing drilling locations among different exploration blocks and geological basins and by targeting multiple play-types. The Company may also choose to mitigate exploration risk through acquisitions that may require raising funds.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions, the availability of, and the ability to acquire, water supplies needed for drilling, hydraulic fracturing and waterflood or the Company's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, without limitation, equipment failure, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment, and cause personal injury or threaten wildlife and the environment.

In particular, the Company may explore for and produce sour natural gas in certain areas. An accidental leak of sour natural gas could result in personal injury, loss of life or property damage and may require the evacuation of populated areas, which could result in liability for the Company. In addition, it is difficult to project the costs of implementing any exploratory drilling program due to the uncertainties inherent in drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over-pressured zones, changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and their interpretation, and the risks and hazards described above. There can be no assurance that expenditures made by Parex on future exploration or development activities will result in discoveries of oil or natural gas reserves that are commercially or economically viable.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance and business interruption insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event the Company could incur significant costs.

5.1.10 GATHERING, PROCESSING AND PIPELINE SYSTEMS

The Company delivers its products through gathering, processing and pipeline and storage systems, some of which it does not own. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline and storage systems. The lack of availability of capacity in any of the gathering, processing and pipeline and storage systems could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. The Company currently produces oil in multiple basins in Colombia and is heavily reliant on the Ocensa pipeline system. Although pipeline expansions in Colombia have occurred from time to time, the lack of firm pipeline capacity may limit the ability to produce and to market oil and natural gas production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities, could harm the Company's business and, in turn, the Company's financial condition, results of operations and funds flow provided by operations.

Pipeline and transportation infrastructure in Colombia has historically been subject to operational disruptions, including outages caused by maintenance activities, integrity issues, illegal tapping, and security-related incidents such as attacks on infrastructure. Any such events could result in temporary or extended interruptions to Parex's operations.

All of the Company's oil production intended for export is delivered to shipping facilities owned by third parties over which the Company has no control. From time to time, these facilities may discontinue or reduce operations, whether as a result of normal maintenance requirements or unexpected events.

A discontinuation or reduction in operations could materially adversely affect the Company's ability to process its production and deliver it for sale. Unexpected shutdowns or reductions in pipeline or storage-system capacity, whether for maintenance or integrity work or as a result of actions taken by regulators, could also affect the Company's production, operations and financial results.

5.1.11 TRUCKING AND BARGING TO EVACUATE A PORTION OF PRODUCTION

Although the majority of the Company's production is evacuated through Colombia's pipeline network, a portion of Parex's production is transported by truck and, in certain cases, by barge.

Trucking and barging operations are subject to risks that do not affect pipeline-connected production to the same degree, including limited availability of contractors, drivers and equipment; adverse road, weather and river conditions; and congestion at off-loading stations and export terminals. They also involve heightened safety, security and environmental risks, such as road accidents, marine incidents, spills and fires, as well as road blockades, civil unrest, illegal taxation, extortion, sabotage and theft associated with illegal armed groups and criminal organizations operating in the Company's areas of activity. Any of these factors could result in delays, production curtailments, increased costs, environmental liabilities, regulatory or judicial actions, fines, reputational harm or suspension of the Company's evacuation activities, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

5.1.12 AVAILABILITY OF DRILLING EQUIPMENT AND ACCESS

Oil and natural gas exploration, development and operating activities are dependent on the availability of third-party contractor drilling and related equipment, as well as skilled personnel trained to use such equipment in the areas where such activities will be conducted. Demand for such limited equipment and skilled personnel or access restrictions may affect the availability of such equipment and skilled personnel to the Company and may delay exploration and development activities.

5.1.13 POWER SUPPLY

Several of the Company's producing fields are connected to the national transmission system and depend on its expansion and reliability to keep stable production levels. The national electricity market is volatile due to changes in hydrology and availability of fuels (natural gas, diesel, etc.), which brings uncertainty to energy prices. If energy were to become unavailable or difficult to obtain, the Company's results of operation and financial condition could be adversely affected. Due to the El Niño-induced drought across Colombia, the decrease in power generated from hydroelectricity increased power costs, which resulted in higher operating expenses during the past year.

The Company undertakes certain waterflooding programs, which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to minimize production declines. To undertake such waterflooding activities, the Company needs to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that the Company will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If the Company is unable to access such water, it may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reservoirs. In addition, the Company may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on the Company's results of operations.

5.1.14 WATER MANAGEMENT AND WATERFLOOD PROGRAMS

Parex produces water as part of its operations. Taking into account the nature of reservoirs, the water production levels to be managed by the Company may increase in the future. In order to achieve oil and gas production goals and to avoid any production restrictions going forward, Parex will need to secure the required capacity to manage water levels. Factors that may trigger a possible constraint to the Company's crude oil production due to the rising water production levels are: (i) ineffective project management of the required facilities, (ii) the Company's and its partners' ability to timely obtain the environmental permits related to water management, (iii) social and community interactions that could affect the development and operation of these projects, and (iv) the availability of capital to execute the required projects.

5.1.15 INFORMATION TECHNOLOGY SYSTEMS AND CYBERSECURITY

The Company has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. The Company depends on various information technology systems to estimate reserve quantities, process and record financial data, manage its land base, manage financial resources, analyze seismic information, administer its contracts with its operators and lessees and communicate with employees and third-party partners.

Further, the Company is subject to a variety of information technology and system risks as a part of its operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to the Company's business activities or its competitive position.

Phishing attacks (i.e., fraudulent attempts to obtain sensitive information such as passwords, financial details, or funds) have become increasingly sophisticated. A successful attack could result in loss of financial resources, theft of critical data, or compromise of the Company's technology infrastructure. Employees are frequent targets, often through emails that appear legitimate but direct recipients to fraudulent websites, request confidential information, or install malware such as "Trojan horse" programs.

Increasingly, social media is used as a vehicle to carry out phishing attacks. Information posted on social media sites for business or personal purposes may be used by attackers to gain entry into the Company's systems and obtain confidential information. As social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, however, there are significant risks that the Company may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

The Company maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cybersecurity risk assessments. The Company also employs encryption protection of its confidential information on all computers and other electronic devices. Despite the Company's efforts to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage its information technology infrastructure. The Company applies technical and process controls in line with industry-accepted standards to protect its information assets and systems, including a written incident response plan for responding to a cybersecurity incident. However, these controls may not adequately prevent cybersecurity breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's performance and earnings, as well as on its reputation, and any damages sustained may not be adequately covered by the Company's current insurance coverage, or at all. The significance of any such event is difficult to quantify but may, in certain circumstances, be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's IT systems may incorporate artificial intelligence ("**AI**"), and development of these capabilities is ongoing. AI introduces risks and unintended consequences that could affect adoption and business operations. Algorithms and training methods may be flawed, and reliance on AI without adequate safeguards can lead to inaccurate outcomes or operational vulnerabilities.

AI also poses data privacy, cybersecurity, and intellectual property risks. Improper use may result in unauthorized disclosure of sensitive information or outputs that infringe copyrights, patents, or privacy rights. As legal and regulatory frameworks for AI remain uncertain, future compliance obligations could impose significant costs or limit the Company's ability to integrate AI tools.

5.1.16 DATA SECURITY RISKS

The protection of customer, employee, and company data is critical to the Company's business. The regulatory environment in Canada and Colombia surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and evolving requirements. Certain legislation requires documents to be securely destroyed to avoid identity theft and inadvertent disclosure of confidential and sensitive information. A significant breach of customer, employee, or company data could attract a substantial amount of media attention, damage the Company's customer relationships and reputation, and result in lost sales, fines, or lawsuits. In addition, an increasing number of countries have introduced and/or increased enforcement of comprehensive privacy laws or are expected to do so. The continued emphasis on information security as well as increasing concerns about government surveillance may lead customers to request the Company to take additional measures to enhance security and/or assume higher liability under its contracts. As a result of legislative initiatives and customer demands, the Company may have to modify its operations to further improve data security. Any such modifications may result in increased expenses and operational complexity, and adversely affect its reputation, business, financial condition and results of operations.

5.1.17 RELIANCE ON A SKILLED WORKFORCE AND KEY PERSONNEL

The operations and management of the Company require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Company's business plans which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Competition for qualified personnel in the oil and

natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Contributions of the existing management team to the immediate and near-term operations of the Company are likely to be of central importance. In addition, certain of the Company's current employees may have significant institutional knowledge that must be transferred to other employees prior to their departure from the workforce. If the Company is unable to retain current employees, successfully complete effective knowledge transfers and/or recruit new employees with the requisite knowledge and experience, the Company could be negatively impacted. In addition, the Company could experience increased costs to retain and recruit these professionals. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

5.1.18 LABOUR RELATIONS

The Company operates in a country that has large state-sponsored or majority-owned oil and gas companies that have traditionally employed unionized personnel, and the branch of Sabana Colombia is unionized. From time to time, unions may attempt or threaten to disrupt field operations and crude oil transportation activities of their employers, which may directly or indirectly affect the Company's operations.

In addition, in the legislative field in Colombia, new labour regulations were decreed during 2025 and 2026, and additional regulations may be decreed in 2026. In particular, on June 25, 2025, Colombia enacted Law 2466, a substantive labour reform that significantly reshapes the employment landscape by strengthening worker protections and modernizing labour practices. Key aspects of this reform include indefinite-term contracts as the general rule with stricter limits on fixed-term contracts, an expanded definition of night work beginning at 7:00 p.m. (previously 9:00 p.m.) which increases the number of hours subject to a 35% night-work surcharge, a gradual increase in the surcharge for work on mandatory rest days and bank holidays from 75% to 100% by July 2027, mandatory quotas for hiring persons with disabilities applicable to companies with 500 or more employees, the redefinition of apprenticeship contracts as special fixed-term employment agreements with expanded remuneration and social security obligations, expanded rights for gig and platform workers, mandatory disciplinary procedures and broader anti-discrimination protections, and new obligations regarding telework including connectivity allowances. The reform has increased labour costs and compliance requirements for employers operating in Colombia, including companies in the oil and gas sector. Further, additional proposed laws cover areas such as outsourcing/subcontracting (restriction on the provision of services by third parties); parameters on the use of service contracts; and local hiring of workforce in municipalities where hydrocarbon exploration and production projects are carried out, among others.

On the other hand, Decree 236 of 2026 was issued, which regulates multi-level collective bargaining, allowing the extension of the benefits of a collective agreement to all companies belonging to an industry or economic sector, regardless of whether or not they have unionized workers. Although several of these decrees have already been or will be challenged as unconstitutional, an increase in costs can be expected while their illegality is definitively resolved.

Parex cannot assure the contents of any final legislation or that it will not have an adverse effect on its operations and financial condition.

5.1.19 COST OF NEW TECHNOLOGIES

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that provide technological advantages and may, in the future, allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Company does implement such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be affected adversely and materially. If the Company is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition, and results of operations could also be adversely affected, potentially in a material way.

5.1.20 POTENTIAL CONFLICTS OF INTEREST

There are potential conflicts of interest to which some of the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers are engaged and will continue to be engaged in the search for oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

5.2 REGULATORY, POLITICAL AND GEOPOLITICAL RISKS

5.2.1 CHANGES IN GOVERNMENT AND POLITICAL SHIFTS

Political, legal and regulatory changes in Canada, the U.S., Colombia and other countries can impact the Company's operations and business performance. In 2024, there were national elections in several of the world's largest economies, including Japan, India, the European Union, France, the United Kingdom, Mexico and the United States. Additional elections took place in 2025 in Canada and Germany.

In Colombia, congressional and presidential elections were held in 2026. As a result of the presidential election process, a new President and Vice President were elected, with the Consejo Nacional Electoral (CNE) formally declaring their election for the constitutional term 2026–2030. The new national government took office on August 7, 2026. The new political cycle may lead to changes in the approach to energy, fiscal, environmental, social and security policy, including eventual modifications in the areas of hydrocarbon exploration and production, environmental licensing, royalties, prior consultation, relations with communities, administrative oversight and conditions of foreign investment.

Although the electoral result reduces the uncertainty associated with the identity of the government, uncertainty remains regarding the composition of the government and opposition coalitions, the governability of Congress, the legislative agenda that will be promoted by the new administration, and the speed with which regulatory or legal reforms relevant to the oil and gas industry can be adopted or implemented. The political fragmentation of the Colombian Congress could make it difficult or delay the approval of reforms, or lead to adjustments, modifications or political compromises that affect the final content of the rules applicable to the sector.

The Colombian national government has, in recent years, adopted policies focused on accelerating the energy transition, restricting the award of new exploration contracts and increasing environmental and social oversight of the oil and gas sector. The change in government in 2026 may lead to the adoption, modification or reversal of such policies, and the timing and scope of any such changes remain uncertain.

New government priorities may also increase public and governmental scrutiny of the oil and natural gas industry and may contribute to regulatory or legislative proposals that could adversely affect industry participants.

These political shifts may create uncertainty about future government policies, regulations, and trade relationships between major global economies, which could result in broad-based volatility and decreased Investor confidence. Adverse changes to the trade relations between the governments of the United States, Canada, Mexico and/or Colombia on matters related to energy could have a material adverse effect on the Company and its business.

In Colombia, election cycles have historically been associated with periods of regulatory uncertainty, potential delays in licensing and permitting decisions, and changes in government agency leadership and administrative priorities. In addition, the formation of new congressional coalitions following legislative elections may impact the passage of hydrocarbons, environmental, tax or royalty legislation, including legislation affecting foreign investment, operational requirements, or the fiscal framework applicable to oil and gas activities.

Political, fiscal and regulatory developments in Colombia may also adversely affect the Company's access to domestic and international capital markets, the Company's cost of funding and the Company's ability to refinance existing indebtedness on acceptable terms, or at all. Considering the Company's investments in Colombia, changes in sovereign credit ratings, country risk perception or macroeconomic conditions could result in higher borrowing costs.

Changes in government, government policy or regulations, changes in law or interpretation of settled law, implementation of new, or expansion of existing tariffs on exported and/or imported products, opposition from government or other political actors to industrial activities generally or projects specifically and extended regulatory review periods and third-party consultation requirements could impact the Company's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licences and permits for the Company's activities or restrict the operation of third-party infrastructure and supply chains that we rely on.

A change in federal, provincial or municipal governments in Canada, or in national, departmental or municipal governments in Colombia, may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry, including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada and Colombia, which has resulted in increased scrutiny of oil and gas companies in Canada and a rise in civil disobedience in Colombia surrounding oil and natural gas development – particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt the Company's activities.

5.2.2 RISK OF FOREIGN OPERATIONS

Parex's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within its control, including, but not limited to: nationalization, expropriation of property without fair compensation or marketable compensation, or renegotiation or nullification of existing concessions and contracts; the imposition of specific drilling obligations and the development and abandonment of fields; changes in energy and environmental policies or the personnel administering them; changes in oil and natural gas pricing policies; the actions of national labour unions; currency fluctuations and devaluations; currency exchange controls; economic sanctions; and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Parex's operations will be conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. The Company's operations may also be adversely affected by laws and policies of Colombia affecting foreign trade, taxation of the oil and gas sector and investment. If the Company's operations are disrupted and/or the economic integrity of the Company's projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of Parex's operations.

In addition, there can be no assurance that contracts, licences, licence applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

In the event of a dispute arising in connection with Parex's operations in Colombia, it may be subject to the exclusive jurisdiction of Colombian courts or may not be successful in subjecting persons outside of Canada to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Parex may also be hindered or prevented from enforcing its rights with respect to governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Parex's exploration, development and production activities in Colombia could be substantially affected by factors beyond its control, any of which could have a material adverse effect on Parex.

Acquiring interests and conducting exploration and development operations in jurisdictions outside Canada often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future, including whether any such laws or regulations would materially increase Parex's cost of doing business or affect the Company's operations in any area.

Parex's assets and operations are located in Colombia, and its sales are currently derived from its Colombian crude oil and natural gas production. Accordingly, Parex's financial condition and results of operations depend to a significant extent on macroeconomic and political and regulatory conditions prevailing from time to time in Colombia and on the exchange rates between the COP and the U.S. dollar. Foreign exchange fluctuations and macroeconomic conditions in Colombia could adversely impact Parex's financial results. Sustained COP depreciation or volatility could increase local-currency operating costs relative to U.S. dollar revenues and adversely affect results of operations.

If the perception of improved overall security in Colombia deteriorates or if the investment climate worsens, the Colombian economy may face lower growth rates than the ones posted recently, which could negatively affect Parex's financial condition and results of operations.

5.2.3 EXERCISE OF EMINENT DOMAIN POWERS BY THE COLOMBIAN GOVERNMENT

Pursuant to Articles 58 and 59 of the Colombian Constitution, the Colombian government can exercise its eminent domain powers over the assets of Parex for reasons of public utility or social interest, as defined by law, and, in the case of war, in accordance with the special regime applicable to wartime measures. According to Law 388 of 1997, and Articles 58 and 59 of the Colombian Constitution, eminent domain powers may be exercised through: (i) an ordinary judicial expropriation proceeding, (ii) an administrative expropriation (legally authorized exception), or (iii) an expropriation due to war—in which case solely to meet its requirements; real property, however, may only be temporarily occupied in order to meet the needs of war or to allocate its products to that purpose. In most cases, including expropriations carried out under Article 58 of the Colombian Constitution, Parex would generally be entitled to compensation, which is intended to be "just" and is determined taking into account both the interests of the community and the affected party. In a war scenario, under Article 59 of the Colombian Constitution, compensation may not be paid in advance. However, compensation may be paid in some cases years after the asset is effectively expropriated. Furthermore, the compensation may be lower than the price for which the expropriated asset could be sold in a free-market sale or the value of the asset as part of an ongoing business. Any exercise of eminent domain powers could have a material adverse effect on the Company's business, financial condition and results of operations.

5.2.4 REGIONAL CONFLICTS AND TENSION

There have been significant and rapidly evolving political, economic and security developments in South America, which may heighten regional instability and create uncertainty for companies operating in Colombia.

In January 2026, United States military forces conducted strikes within Venezuela and captured former President Nicolás Maduro, an action that has been widely condemned by certain international bodies and governments and has contributed to heightened geopolitical tensions and uncertainty regarding Venezuela's governance and stability. The country is currently being administered by an interim government, and while certain diplomatic and economic engagement with foreign governments has been signalled, including efforts to reform Venezuela's hydrocarbons sector to attract foreign investment, the durability and effectiveness of such reforms remain uncertain and subject to political and legal risk. Recent legislative reforms in Venezuela have introduced measures to increase private and foreign participation in oil and gas production. These reforms, combined with evolving sanctions policies and expanded licensing arrangements permitting international companies to engage in Venezuelan energy activities, may result in a gradual reactivation or expansion of Venezuela's oil and gas sector. The timing, scale and sustainability of any such reactivation remain uncertain and dependent on political stability, infrastructure rehabilitation, financing availability and international regulatory developments.

Tensions between Venezuela and the United States remain elevated, with ongoing military activity, sanctions-related measures and differing positions among international stakeholders contributing to an uncertain regional security environment. These developments could lead to potential disruptions to cross-border commerce, migration pressures, or security concerns along the Colombia-Venezuela border, which could adversely affect Colombia's economy, social conditions and overall security environment. Although the Company's reserves and production are generally not located proximate to the Colombia-Venezuela border, with the exception of the Capachos and Arauca blocks, any deterioration in regional stability or security conditions could negatively affect the Company's operations, business environment and financial performance. In addition, a material recovery or expansion of Venezuela's oil and gas production could increase regional hydrocarbon supply, potentially affecting global and regional crude pricing dynamics, investment allocation, access to capital, availability of oilfield services and skilled labour, and the relative competitiveness of Colombian upstream projects. Increased production and export capacity from Venezuela could also influence infrastructure utilization, transportation routes, market access and customer demand for Colombian crude.

Recently, relations between Colombia and Ecuador have deteriorated, resulting in reciprocal tariff measures, the suspension of cross-border electricity exports and the imposition by Ecuador of significantly increased transportation fees for Colombian crude oil using Ecuadorian pipeline infrastructure. Evolving bilateral trade measures, tariffs, non-tariff barriers, customs frictions or heightened border security between Colombia and Ecuador may adversely affect the Company's business by increasing costs, delaying the movement of materials and equipment sourced through regional vendors, constraining workforce and contractor mobility in border areas, or disrupting field-level logistics in southern Colombia, including Putumayo where the Company operates.

Increased diplomatic or security tensions between Colombia and neighbouring countries may lead to further trade restrictions, regulatory changes, or disruptions to cross-border infrastructure and supply chains. The Company cannot predict the nature, scope, or duration of geopolitical or trade disputes in the Andean region or their potential impact on cross-border infrastructure, regional security conditions or the Colombian oil and gas sector. Any such developments could increase operating costs, delay development activities, restrict crude oil evacuation routes, or adversely affect the Company's business, financial condition, results of operations, reserves, or growth prospects.

5.2.5 GUERRILLA ACTIVITY IN COLOMBIA

Colombia continues to experience security risks arising from the activities of illegal armed groups, insurgent organizations and criminal groups, many of which are funded by narcotics trafficking and other illicit economies. These groups operate in various regions of Colombia, including areas near the Venezuelan and Ecuadorian borders and along key transportation corridors and riverine routes, and periodically engage in armed conflict with each other and with government security forces. Violence and humanitarian impacts associated with these conflicts, including displacement of local populations, kidnappings, armed strikes, mobility restrictions and social control measures, have occurred in several departments, including Norte de Santander, Arauca, Chocó, Cauca and parts of the Amazon region. Certain of the Company's operations,

transportation routes and areas of interest are located in or proximate to regions where illegal armed groups operate, which exposes the Company to heightened operational, security and social risks.

The Colombian government has implemented various security and peace initiatives, including negotiations, ceasefire arrangements and military operations targeting illegal armed groups, such as Ejército de Liberación Nacional (ELN), Disidencias de las FARC (including factions such as Estado Mayor Central and Segunda Marquetalia), and Autodefensas Gaitanistas de Colombia (AGC), among others. These initiatives have produced inconsistent results and have, at times, been suspended or modified due to renewed hostilities or compliance challenges. Ceasefire arrangements are often time-limited, geographically partial and subject to verification and compliance challenges, and may be suspended or terminated with limited notice. Recent budgetary constraints may affect the government's capacity to maintain security in certain regions. Changes in government security policy, peace negotiation outcomes or military operations may lead to fluctuations in violence levels, mobility restrictions, or changes in state presence in certain regions, any of which could disrupt oil and natural gas exploration, development, production or transportation activities. The implementation of peace agreements entails risks that may affect the Company's operations, including increased criminal activity in urban areas, land restitution claims, areas with antipersonnel mines, and the strengthening of social pressure groups in regions where Parex operates.

Illegal armed groups and criminal organizations have historically targeted, and may continue to target, participants in the energy sector, as well as related infrastructure and logistics services. These groups may engage in activities such as extortion, illegal levies, sabotage of pipelines and facilities, interference with contractors or suppliers, theft of hydrocarbons or equipment, blockades (including roadblocks and illegal checkpoints), or threats or violence directed at employees, contractors or local communities. These activities could result in operational disruptions, well shut-ins, property loss or damage, delays to drilling or development programs, increased insurance, security and community-engagement costs, and potential harm to personnel.

Parex has experienced security concerns and social-related disruptions in certain areas of its operations. In January 2024, Parex shut in operations at the Capachos block and halted drilling and testing operations at the Arauca block due to social protests. Operations resumed in February 2024. In November 2024, Parex again shut in operations at the Capachos block due to social factors, with operations resuming in December 2024. As at the date of this Prospectus, operations at the Capachos and Arauca blocks have resumed; however, there can be no assurance that similar or more severe disruptions, including those arising from armed group activity, community unrest, territorial disputes among illegal armed groups or government security operations, will not recur or impact other areas where the Company operates.

Security conditions in Colombia may improve or deteriorate over time and are difficult to predict. Continued or heightened security concerns could adversely affect the Company's ability to safely conduct operations, protect personnel and assets, maintain supply chains and transportation routes, obtain or maintain permits or community support, and execute its business and development plans, including meeting production, cost and capital expenditure guidance. Such risks could result in material adverse effects on the Company's operations, financial condition and results of operations.

5.2.6 UNITED STATES RELATIONS WITH COLOMBIA

Colombia is among several nations whose progress in stemming the production and transit of illegal drugs is subject to annual certification by the President of the United States of America. In September 2025, the United States decertified Colombia but issued a national interest waiver. There can be no assurance that, in the future, Colombia will receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following:

- all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended;
- the Export-Import Bank of the United States and the U.S. International Development Finance Corporation would not approve financing for new projects in Colombia;

- United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes; and

- the President of the United States and Congress would retain the right to apply future trade sanctions.

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with operations there. Recent U.S. actions, including imposing a global tariff on most imports, have already increased bilateral trade frictions. On February 20, 2026, the U.S. Supreme Court ("**SCOTUS**") held that the Trump administration lacked legal authority to impose certain tariffs under the International Emergency Economic Powers Act, and U.S. Customs and Border Protection announced that it would cease collecting the affected tariffs. In response to the SCOTUS decision, the Trump administration has imposed alternative tariffs and adopted other trade measures on its trading partners. SCOTUS' decision and the Trump administration's response add further uncertainty regarding whether crude oil, natural gas, and NGL exports to the U.S. could ultimately be subject to tariffs or other trade measures. The impact of continuing or new tariffs or other trade measures on the Company is uncertain.

Bilateral ties have also become strained amid policy differences on drug control and foreign policy, and U.S. officials have imposed visa restrictions and other measures on certain Colombian officials. Any changes in the holders of significant government offices could have adverse consequences on Parex Colombia's relationship with the ANH and the Colombian government's ability to control guerrilla activities, and could exacerbate the factors relating to Parex's subsidiaries' foreign operations. U.S. foreign assistance to Colombia has faced recent pauses, reductions, and additional conditions, which may further affect security cooperation and development programming that underpin operating conditions in Colombia.

Any sanctions imposed on Colombia by the United States government could threaten Parex's subsidiaries' ability to obtain any necessary financing to develop their Colombian properties and complicate access to U.S. dollar clearing, banking relationships, and insurance. In October 2025, the United States Office of Foreign Assets Control designated Colombia's former President, his wife and son, and the former Interior Minister on the list of Specially Designated Nationals and Blocked Persons (SDN) under E.O. 14059, highlighting elevated sanctions-compliance risks for market participants. The United States has recently signalled its intention to impose further tariffs and targeted sanctions, any of which could adversely affect trade, financing, and counterparties' risk appetites. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be predicted.

5.2.7 CONFLICT BETWEEN THE UNITED STATES, ISRAEL AND IRAN AND RELATED GEOPOLITICAL INSTABILITY

In February 2026, the United States and Israel launched coordinated military strikes against Iran, which retaliated with missile attacks across the region. Although Parex does not have material operations in the Middle East, the ongoing conflict and any further escalation, including additional military actions, retaliatory measures, sanctions, disruptions to trade or transportation routes, cyberattacks, or other governmental or market responses, have led and could continue to lead to significant disruption of global energy supplies and increases in global energy prices, heightened inflationary pressures on Parex's input costs and supply chain, adversely affected global supply chains, energy markets, commodity prices, currency exchange rates, interest rates, financial markets and overall macroeconomic conditions, increased the cost or reduced the availability of debt financing, and adversely impacted customer spending patterns in markets in which Parex operates. While the impacts of conflict between the United States, Israel, and Iran may adversely affect Parex's business, financial condition and results of operations, Parex is unable to predict the extent or nature of these impacts at this time.

5.2.8 RISKS ASSOCIATED WITH GEOGRAPHICALLY CONCENTRATED OPERATIONS

The majority of the Company's production comes from two blocks in the Llanos Basin in Colombia. For the month ended June 30, 2026, the LLA-34 Block generated approximately 23.4% of the Company's production and the Quifa Block generated approximately 17.9%, accounting for 41.3% of its oil and gas production. As a result of this concentration, the Company may be disproportionately exposed to the impact of, among other things, regional supply and demand factors including limitations on its ability to most profitably sell or market its oil and gas to a smaller pool of potential buyers, delays or interruptions of production from wells in these areas caused by governmental regulation, community protests, guerrilla activities, processing or transportation capacity constraints, continued authorization by the government to explore and drill in these areas, severe weather events and the availability of drilling rigs and related equipment, facilities, personnel or services. Due to the concentrated nature of the Company's portfolio of properties, a number of the Company's properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on its results of operations than it might have on other companies that have a more diversified portfolio of properties.

The Company relies on local infrastructure and the availability of transportation for the storage and shipment of its products. This infrastructure, including storage and transportation facilities, is less developed than that in North America and may be insufficient for the Company's needs at commercially acceptable terms in the localities in which it operates. Further, the Company operates in remote areas and may rely on helicopters, boats or other transportation methods. Some of these transport methods may result in increased levels of risk and could lead to operational delays, which could affect the Company's ability to add to its reserve base or produce oil and could have a significant impact on the Company's reputation or cash flow. Additionally, some of this equipment is specialized and may be difficult to obtain in the Company's areas of operations, which could hamper or delay operations and could increase the cost of those operations.

5.2.9 ROYALTIES

The Colombian government may adopt new royalty regimes or modify existing royalty rates, calculation methodologies, collection mechanisms or the framework governing regional distribution of royalty revenues. Changes to royalty rates or base calculations could adversely affect project economics and Parex's capital allocation. An increase in royalties reduces Parex's earnings and could make future capital investments or its operations less economic.

5.2.10 HIGH PRICE PARTICIPATION ROYALTIES

Certain of Parex's E&P Contracts in Colombia, including contracts governing a significant portion of its production base, are subject to high price participation ("HPP") royalty provisions that require additional payments to the ANH or Ecopetrol when cumulative production exceeds 5 MMbbls of oil and the average monthly WTI reference price exceeds a base price established in the applicable contract. The base prices vary by crude quality, ranging from approximately $46.67/bbl to $71.83/bbl depending on API gravity. When triggered, the HPP imposes an incremental royalty of 30% to 50% of the portion of the average monthly WTI price that exceeds the applicable base price.

At current Brent oil price levels, HPP is active on a significant portion of the Company's production, materially reducing the Company's effective price realization and limiting Parex's upside exposure to higher oil prices. Any sustained increase in global oil prices would result in higher HPP payments, which could materially reduce Parex's operating Netbacks, funds flow provided by operations and free cash flow. In addition, the methodology for calculating HPP and the applicable thresholds may be subject to interpretation or adjustment by the ANH, and there can be no assurance that disputes will not arise in the future regarding the application of HPP provisions to Parex's production.

5.2.11 INCOME TAXES

Tax returns filed by Parex and its subsidiaries may be subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company's tax filings, whether by re-

characterization of exploration and development expenditures, or questioning the deductibility of expenses or otherwise, such reassessment may have an impact on current and future taxes payable.

Changes in legislation, regulation, jurisprudence, and tax authorities' interpretations through general rulings can affect tax burdens by increasing tax rates, creating new taxes, limiting deductions and exemptions, and eliminating incentives and non-taxed income. Notably, the Colombian government has significant fiscal deficits that may result in future tax increases. Recent reforms have tightened the fiscal burden on oil and gas producers by restricting the deductibility of production royalties and eliminating certain sector-specific incentives, and the government has expressed intentions to make certain temporary taxes permanent through future congressional reforms, the outcome of which remains uncertain. Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects Parex. Furthermore, tax authorities having jurisdiction over Parex may disagree with how it calculates its income for tax purposes or could change administrative practices to Parex's detriment.

5.2.12 FOREIGN SUBSIDIARIES

Parex currently conducts all of its operations through its subsidiaries and foreign branches. Therefore, Parex will be dependent on the funds flow provided by the operations of these subsidiaries to meet its obligations and/or pay any future dividends. The ability of Parex's subsidiaries to make payments to Parex may be constrained by, among other things, the level of taxation, particularly corporate profits and withholding taxes, in the jurisdictions in which the Company operates; the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated; and contractual restrictions with third parties.

Parex's Colombian subsidiaries and branches operate in a highly regulated foreign exchange environment. Foreign investments must be registered with the Banco de la República, and remittances of funds abroad, including dividend payments and repatriation of capital, must be conducted through the official foreign exchange market in compliance with applicable regulations. Currently, there are no restrictions on the repatriation from Colombia of earnings to foreign entities provided that the foreign investment is properly registered; however, there can be no assurance that restrictions on the repatriation of earnings from Colombia will not be imposed in the future.

5.2.13 REGULATORY APPROVALS

Various levels of government impose extensive controls and regulations on oil and natural gas operations, including exploration, development, production, pricing, marketing and transportation. In Colombia, the oil and gas industry is primarily regulated by the ANH, which acts both as regulator and as contractual counterparty in E&P Contracts and by the Ministry of Mines and Energy, which directs public policy in hydrocarbons matters and issues technical regulations for oil and gas activities in Colombia. Environmental permitting is administered by ANLA or, in some instances, by regional environmental authorities. Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions.

Recent and potential future changes in government policy, including those affecting the award of new E&P Contracts and environmental permitting processes, may create uncertainty and could adversely affect Parex's ability to expand its operations, develop existing assets or reduce demand for crude oil and natural gas, or may result in increased operational costs, any of which may have a material adverse effect on Parex's business, financial condition, results of operations and prospects. Changes in Colombian hydrocarbon policy or licensing regimes could adversely affect Parex's ability to explore and develop reserves. In order to conduct oil and natural gas operations, Parex requires licences and permits from various governmental authorities. There can be no assurance that Parex will be able to obtain all required licences and permits for its intended operations, that such licences and permits will be granted on terms and conditions acceptable to Parex, or that they will be obtained in a timely manner. Judicial decisions and regulatory actions in Colombia could result in the suspension or revocation of Parex's permits and contracts.

Delays or denials in environmental licensing, the imposition of conditions, obligations or restrictions in environmental instruments affecting project design, costs or timelines, challenges associated with prior consultation processes, environmental public hearings or other participatory procedures, as well as community opposition, may materially affect the execution of certain projects.

5.2.14 CORRUPTION AND BRIBERY LAWS

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Company may face, directly or indirectly, corrupt demands by federal or local officials, tribal or insurgent organizations, international organizations, contractors looking for work with the Company, or other private entities. As a result, Parex faces the risk of unauthorized payments or offers of payments by employees, contractors, agents, and partners of the Company's subsidiaries or affiliates, given that these parties are not always subject to Parex's control or direction. It is the Company's policy to prohibit these practices. However, Parex's existing safeguards and any future improvements to those measures may prove to be less than effective or may not be followed, and its employees, contractors, agents, and partners may engage in illegal conduct for which Parex might be held responsible. It is possible that the Company, some of its subsidiaries, or some of its or its subsidiaries' employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of employees or contractors. The Company could be the subject of investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage and other consequences as a result of not complying with these laws.

If the Company is found guilty of such an offence, which could include a failure to take effective measures to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. Even an investigation could cause significant disruption to the business, high legal costs and compelled settlements (such as the imposition of an internal monitor). In addition, allegations of bribery or convictions for bribery or corruption could impair the Company's ability to work with governments or non-governmental organizations. Such convictions or allegations could result in formal exclusion of the Company from a country or area, domestic or international claims, government sanctions or fines, project suspensions or delays, reduced market capitalization and increased Investor uncertainty. In addition, Parex may from time to time acquire a company that later becomes the subject of a bribery or corruption allegation, as a result of which Parex could assume onerous penalties and/or suffer reputational damage arising from activities in which it did not participate.

5.3 ESG RISKS

5.3.1 OBLIGATIONS RELATED TO INDIGENOUS AND ETHNIC COMMUNITIES' RIGHTS IN COLOMBIA

Parex currently carries out and plans to continue carrying out activities in areas classified by the Colombian government as indigenous reserves and Afro-Colombian collective territories. To undertake these activities, Parex must comply with prior consultation processes in accordance with ILO Convention 169, Colombian law and constitutional standards. These prior consultation processes are required to obtain environmental licences to commence projects, works, or activities in areas inhabited by ethnic communities. In addition, consultations can be seen as a potential instrument to involve communities in the decision-making process regarding development, extractive industry and infrastructure projects in their territories. Generally, these consultation processes last between six months and one year, depending on community expectations, number of ethnic communities to be consulted, internal conflicts regarding the representation of such communities, among others, but may be significantly delayed if an agreement with the communities cannot be reached.

In recent years, indigenous communities have also been claiming their ancestral territories and requesting recognition of their right to be consulted about projects already in operation. This opposition results, among other factors, from the communities' views on the exploitation of natural resources, the environment, and the effects on their cultures, territories and spiritual beliefs. Accordingly, Parex may be exposed to

operational restrictions, project delays or legal challenges, including administrative or judicial actions, as a result of opposition from these communities.

No certainty can be given that Parex will be able to reach an agreement with the different communities that object to planned or continued operations or that such communities will participate in consultation processes if available.

Failure to properly conduct prior consultation processes where required may expose Parex to administrative and judicial actions, including constitutional claims and other legal challenges, which could result in unfavourable judicial decisions, including the suspension of projects or other restrictions affecting Parex's operations.

5.3.2 ABANDONMENT AND RECLAMATION COST RISKS

The Company's operations in Colombia are subject to contractual and regulatory obligations requiring the plugging and abandonment of wells, dismantling of facilities and restoration of affected areas at the end of the productive life of the Company's assets upon the termination of its operations. These obligations are set forth in the Company's E&P Contracts as well as in applicable regulations such as environmental regulation.

Accordingly, the Company is required to prepare and implement abandonment plans approved by authorities and to maintain financial assurances, such as abandonment funds, to ensure the availability of sufficient resources to meet these obligations.

The Company maintains estimates of abandonment, remediation and reclamation liabilities; however, it is possible that these costs may change materially before decommissioning due to regulatory changes, technological changes, acceleration of decommissioning timelines, and inflation, among other variables, including changes in environmental licensing requirements or conditions imposed by competent authorities. The present value cost for decommissioning and abandonment of wells and facilities is estimated based on known regulations, procedures, and costs today for undertaking the decommissioning, the majority of which is projected to be incurred in the 2030s.

5.3.3 ENVIRONMENTAL, HEALTH AND SAFETY REGULATIONS

The Company is subject to environmental, health and safety laws and regulations that affect aspects of its past, present and future operations. All phases of the oil and gas business present environmental, health and safety risks and hazards and are subject to regulation pursuant to extensive national and local environmental, health and safety laws and regulations in Colombia that affect nearly all of the Company's operations. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air emissions, water quality, wastewater discharges and the generation, transport, recycling and disposal of waste and hazardous substances; provide for penalties and other liabilities for the violation of such standards (including environmental fines, permit revocation and other administrative sanctions); and establish, in certain circumstances, obligations to remediate current and former facilities and locations where oil and gas operations are or were conducted. In addition, special provisions may be imposed by environmental authorities at the time of granting licences, or may arise directly from applicable laws and regulations, particularly in environmentally sensitive areas of operation and unconventional blocks.

There is uncertainty around the impact of environmental, health and safety laws and regulations, including those currently in force and proposed laws and regulations, and the Company cannot predict what legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered, interpreted from time to time, or enforced. It is not possible to predict the outcome and nature of these requirements on the Company and its business at the current time; however, failure to comply with current and proposed regulations can have a material adverse impact on the Company's business and results of operations by substantially increasing its capital expenditures, reputational risk and compliance costs and its ability to meet its financial obligations, including debt payments. It may also lead to the

modification or cancellation of operating licences and permits, penalties and other corrective actions which may have an impact on production operations. Further, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Company.

Environmental, health and safety regulation in the jurisdiction in which the Company operates is becoming increasingly stringent, and the costs and expenses of regulatory compliance are increasing. For example, in 2024, Colombia enacted Law 2387, which introduces significant reforms to the country's environmental administrative investigations. This law establishes new mechanisms for early suspension or termination of administrative investigations if corrective or compensatory measures are effectively implemented, revises penalty structures including a maximum fine of up to 100,000 legal monthly minimum wages, streamlines procedural timelines, and introduces incentives for early admissions of non-compliance offering fine reductions. These changes may impact project development, operational risk and compliance strategies.

The Company's activities have the potential to impair natural habitat, damage plant and wildlife, or cause contamination to land or water that may require remediation under applicable laws and regulations. These laws and regulations require the Company to obtain and comply with a variety of environmental registrations, licences, permits and other approvals. In Colombia, licensing and permitting processes relating to the exploration and drilling for and development of oil and natural gas take significant time. Although regulatory timelines are established, they are not always met and may be subject to delays due to participatory mechanisms or other factors beyond the Company's control, which may cause operational delays and higher development costs. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Both public officials and private individuals may seek to enforce or change environmental laws and regulations against the Company.

Further, government policies in Colombia aimed at promoting energy transition and decarbonization may adversely affect the Company's operations and the demand for its products. In recent years, Colombia has adopted a regulatory and policy framework designed to encourage the development and use of non-conventional renewable energy sources, including through tax incentives, regulatory support and long-term planning instruments, such as the current National Development Plan which establishes a policy roadmap focused on environmental sustainability, energy transition and the progressive integration of renewable energy and alternative fuels into the national energy matrix.

Significant liability could be imposed on the Company for costs resulting from potential unknown and unforeseeable environmental impacts arising from its operations, including damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties acquired by the Company or non-compliance with environmental laws or regulations.

Given the nature of the Company's business, there are inherent risks of oil spills occurring at the Company's drilling and operating sites. Large spills of oil and oil products can result in significant clean-up costs. Oil spills can occur from operational issues, such as operational failure, accidents, deterioration and malfunctioning of equipment. In Colombia, where the Company operates, oil spills can also occur as a result of sabotage and damage to pipelines. Further, the Company sells oil at various delivery stations, and the oil can be transported by truck. There is an inherent risk of oil spills caused by road accidents, for which the Company may be deemed responsible as the owner of the crude oil. All of these may lead to significant potential environmental liabilities, such as clean-up and litigation costs, as well as administrative sanctions, including fines and other penalties, which may materially adversely affect the Company's financial condition, funds flow provided by operations and results of operations. Depending on the cause and severity of the oil spill, the Company's reputation may also be adversely affected, which could limit its ability to obtain permits and affect its future operations.

5.3.4 NATURAL DISASTERS AND EXTREME WEATHER EVENTS IN COLOMBIA

Parex is exposed to natural disasters in Colombia, including earthquakes, floods, mudslides, volcanic eruptions, tornadoes, tropical storms, hurricanes, wildfires, and prolonged droughts. Parex's operations may be particularly exposed to recurring flooding and mudslides as a result of heavy rains attributable to weather patterns such as La Niña and El Niño. Colombia's hydrology typically follows a dual season annual cycle, with one period of low levels of precipitation from December to March and high levels during the rest of the year; however, climatic phenomena such as El Niño and La Niña can cause droughts or above-average rainfall that may adversely affect Parex's operations or the operations of third-party infrastructure on which it depends. Although Parex maintains emergency response protocols and business continuity plans, its disaster recovery plans may prove to be ineffective in the event of a major natural disaster. Such events could materially and adversely affect Parex's ability to conduct its business, particularly if they impact transportation routes, third-party infrastructure, or result in damage to its facilities or equipment. Natural disasters or similar events could also result in substantial volatility in Parex's results of operations.

5.3.5 REPUTATIONAL RISKS

The Company's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Company or as a result of any negative sentiment toward, or in respect of, the Company's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates, as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and increased costs and/or cost overruns. The Company's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Company has no control. In particular, the Company's reputation could be impacted by negative publicity related to environmental damage, loss of life, injury or damage to property caused by the Company's operations, or due to opposition from special interest groups opposed to oil and natural gas development. In addition, if the Company develops a reputation of having an unsafe work site, it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate-related litigation against governments and fossil fuel companies may impact the Company's reputation.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Company's reputation. Damage to the Company's reputation could result in negative Investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

5.3.6 FORCED OR CHILD LABOUR IN SUPPLY CHAIN

The *Fighting Against Forced Labour and Child Labour in Supply Chains Act* came into force on January 1, 2024 in Canada. Pursuant to the new legislation, any company that is subject to the reporting requirements, including Parex, is required to file an annual report detailing the steps it has taken to prevent and reduce the risk of forced labour and child labour in its supply chains, including information about its due diligence processes. While Parex is currently unaware of any forced or child labour within its supply chains, heightened scrutiny of Canadian companies could reveal risks or instances of such practices in a supply chain connected to Parex, potentially harming its reputation. Additionally, due to the fact that the reporting requirements are relatively new and thus there is no existing industry standard, Parex is at risk of inadvertently preparing a report that is insufficient. In addition, complying with any new legislative requirements related to increasing or revising Parex's due diligence in respect of its supply chains may increase its costs and regulatory burdens.

5.3.7 REGULATION ON GHG EMISSIONS

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of such measures.

GHG emissions legislation is emerging and subject to change. For example, on an international level, in December 2015, almost 200 nations agreed to an international climate change agreement in Paris, France (the "**Paris Agreement**"), which calls for countries to set their own GHG emission targets and be transparent about the measures each country will use to achieve its GHG emission targets. Colombia has signed the Paris Agreement.

Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Company's operating expenses, and, in the long-term, potentially reducing the demand for oil and natural gas and related products, resulting in a decrease in the Company's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from crude oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and Investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against crude oil and natural gas companies, including Parex, for alleged personal injury, property damage, greenwashing or other potential liabilities. While Parex is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavourable ruling in any such case could adversely affect the Company's cost of capital, impact its operations and have an adverse impact on its financial condition.

Due to long-term risks from environmental policy changes, regulations, legal challenges, and market shifts related to climate change, recent efforts have targeted the financial sector. Investment advisors, banks, pension funds, universities, and other institutional Investors are engaging companies on climate action, using voting rights, and reallocating capital toward low-carbon assets while divesting from high-emission businesses. Stakeholders are also pressuring insurers and banks to stop financing or insuring oil, gas, and related infrastructure. These efforts may negatively impact the Company's operations, securities demand and pricing, and its cost and access to capital.

Parex is committed to transparent and comprehensive reporting of its sustainability performance and considers existing standards such as the Global Reporting Initiative Sustainability Reporting Standards, the Sustainability Accounting Standards Board's documentation, and recommendations issued by the Task Force on Climate-related Financial Disclosures. If Parex is not able to meet the sustainability reporting requirements of regulators or current and future expectations of Investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals and authorizations from various government authorities, and raise capital may be adversely affected.

5.3.8 ANTI-GREENWASHING RULES

In June 2024, the Canadian Competition Act was amended with respect to how companies communicate about environmental goals and performance and to address "greenwashing", meaning false, misleading, or deceptive environmental claims made for the purpose of promoting a product or a business or business activity. There is uncertainty regarding how this new legislation will be interpreted and applied. While private

rights of action for greenwashing came into force in June 2025, the Budget Implementation Act, 2025, No. 1 subsequently removed this access in relation to statements to the public about the benefits of a business or business activity to protect or restore the environment or mitigate the environmental and ecological causes or effects of climate change (e.g., net zero commitments, carbon neutrality targets, and statements on company-wide emissions reductions) and clarified substantiation requirements to address unintended consequences. The Competition Bureau (Canada) can still take legal action against companies for claims about the business or business activity that are false or misleading in environmental matters. Despite these improvements, the regulatory landscape continues to evolve and the penalties for non-compliance remain substantial, including the greater of C$10 million in the case of a first order or C$15 million in the case of subsequent orders, and three times the value of the benefit derived from the deceptive conduct, or, if that amount cannot be reasonably determined, 3% of the company's global annual gross revenues. Companies that voluntarily disclose environmental information, including Parex, face an ongoing risk of liability and reputational damage.

5.3.9 PANDEMICS AND THEIR EFFECT ON THE GLOBAL ECONOMY

In the event of a global pandemic, countries around the world may close international borders and order the closure of institutions and businesses deemed non-essential. This could result in a significant reduction in economic activity in Canada, Colombia and internationally, along with a drop in demand for oil and natural gas. Any reduction in economic activity in certain countries resulting from outbreaks, government-imposed lockdowns and other restrictions could have a negative effect on demand for oil and natural gas and could aggravate the other risk factors identified herein.

5.4 FINANCIAL AND CAPITAL STRUCTURE RISKS

5.4.1 LIQUIDITY

The Company's ability to fund current and future capital projects and carry out the business plan is dependent on its ability to generate cash flow, as well as raise capital in a timely manner under favourable terms and conditions and is impacted by the Company's credit ratings and the condition of the capital and credit markets. In addition, changes in credit ratings may affect the ability to, and the associated costs of, entering into derivative or hedging transactions, as well as entering into and maintaining certain contracts with customers and suppliers on acceptable terms. For example, if Parex experiences a downgrade in its credit ratings, it may be required to post collateral, letters of credit, cash or other forms of security as financial assurance for its performance under certain contractual arrangements with third parties. The occurrence of any of the foregoing could adversely impact the Company's ability to execute portions of its business strategy, including hedging, and could have a material adverse effect on the Company's liquidity and capital position. Management of liquidity risk requires Parex to maintain sufficient cash and cash equivalents, along with other sources of capital consisting of cash flow from operating activities, available credit facilities, commercial paper, and access to debt capital markets, to meet its obligations as they become due.

5.4.2 CREDIT FACILITIES

The Company currently has a credit facility, and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Company is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or, if drawn, repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. In addition, the Company's credit facility may impose operating and financial restrictions on the Company that could include restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others. The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors to periodically

determine the Company's borrowing base. Commodity prices remain volatile as a result of various factors, including political uncertainty, actions taken to limit OPEC and non-OPEC production, the Russia–Ukraine war, the Israel–Palestine conflict, the U.S.-Venezuela conflict, pandemics, and production by U.S. shale producers.

The next annual review under the Company's credit facility is scheduled to occur in May 2027. The Company's borrowing base may decrease as a result of fluctuations in oil and natural gas prices, operating difficulties, declines in reserves, unforeseen increases in costs, lack of sufficient lenders willing to participate in the facility and lending requirements or regulations. This could, if the credit facility is drawn, result in the requirement to repay a portion, or all, of the Company's indebtedness.

5.4.3 ADDITIONAL FUNDING

Depending on future exploration, development, acquisition and divestiture plans, Parex may require additional financing. The ability of Parex to arrange any such financing in the future will depend in part upon the prevailing capital market conditions, risks associated with international operations, as well as the business performance of Parex. Periodic fluctuations in commodity prices may affect lending policies for potential future lenders. This in turn could limit growth prospects in the short run or may even require Parex to dedicate existing cash balances or funds flow provided by operations, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Parex will be successful in its efforts to arrange additional financing on terms satisfactory to Parex. Due to the conditions in the oil and gas industry, global economic volatility, and the fact that the Company operates in an emerging market country, the Company may from time to time have restricted access to capital and increased borrowing costs. If additional financing is raised by the issuance of shares from the treasury of Parex, control of Parex may change and shareholders may suffer additional dilution.

As a result of global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, forgo certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing, and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

5.4.4 MARKET PRICE OF COMMON SHARES

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments in Canada, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. In recent years, the volatility of commodities has increased, in part, due to the implementation of computerized trading and the decrease of discretionary commodity trading. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

5.4.5 SHAREHOLDER ACTIVISM

Shareholder activism has been increasing generally and in the energy industry. Investors may, from time to time, attempt to effect changes to Parex's business or governance by means such as shareholder proposals, public campaigns, proxy solicitations or otherwise. Such actions could adversely impact the Company by distracting the Board and employees from core business operations, increasing advisory fees and related costs, interfering with the Company's ability to successfully execute on strategic transactions and plans and provoking perceived uncertainty about the future direction of the business.

5.4.6 ISSUANCE OF DEBT

From time to time, the Company may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

5.4.7 DILUTION

In order to finance future operations or acquisition opportunities, the Company may issue Common Shares or raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares, which will be dilutive to Parex shareholders.

The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares, or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

5.4.8 THIRD-PARTY CREDIT RISK

Parex may be exposed to third-party credit risk through its contractual arrangements with current or future customers of its crude oil and natural gas sales and counterparties to the Company's derivative risk management contracts. In addition, Parex may be exposed to third-party credit risk from purchasers of assets from Parex for various liabilities, including well abandonment and reclamation obligations assumed by the purchasers. If such third parties fail to meet their contractual obligations to Parex, such failures may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects. The use of derivative risk management contracts involves the risk that the counterparties will be unable to meet the financial terms of such transactions. Parex is unable to predict changes in a counterparty's creditworthiness or ability to perform. Even if Parex accurately predicts the sudden changes, the Company's ability to negate this risk may be limited depending upon market conditions and the contractual terms of the agreements. During periods of declining commodity prices, the Company's derivative receivable positions generally increase, which increases the Company's counterparty credit exposure. Should any of such third parties be petitioned for bankruptcy, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, Parex may be unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

5.4.9 VARIATION IN FOREIGN EXCHANGE RATES

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in CAD and COP, as the Company's functional currency is the U.S. dollar. The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies.

The USD/COP exchange rate has fluctuated significantly during the last several years. Given the effects of inflation, the volatility in interest rates in the U.S. and Colombia, different global growth perspectives, pandemics, political tensions in the world's largest economies, current and expected crude oil prices in the next few years and political uncertainty in Colombia, there is no clear view of how the U.S. dollar and the COP will behave in the medium to long-term. Continued market volatility is expected to continue to lead to U.S. dollar fluctuations that will remain difficult to forecast.

5.4.10 INFLATION, COST MANAGEMENT, AND INTEREST RATES

Parex may experience high levels of inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs and commodity prices, and additional government intervention through stimulus spending or additional regulations. These factors could increase the Company's costs. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

In addition, many central banks including the Bank of Canada, Banco de la República (the Central Bank of Colombia) and U.S. Federal Reserve have taken steps to raise interest rates in an attempt to combat inflation, followed by modest lowering of interest rates as inflation concerns stabilize. The increase in borrowing costs, and the volatility of interest rates in the future, may impact project returns and future development decisions, which could have a material adverse effect on the Company's financial performance and cash flows. Rising interest rates could also result in a recession in Canada, the United States, Colombia or other countries. A recession may have a negative impact on the demand for crude oil and natural gas, causing a decrease in commodity prices.

An increase in interest rates could result in the Company's financing expenses increasing and the cost of capital could deteriorate, which could have an adverse effect on the Company's ability to execute certain projects, results of operations and financial condition. Finally, if Parex incurs new debt in the future to fund working capital, capital projects or acquisitions, the prevailing interest rates and spreads at any specific time could be less favourable in terms of cost, which could adversely affect the Company's financial condition and results of operations.

5.4.11 INSURANCE AND SECURITY

Parex maintains insurance coverage as part of its risk management program. However, such insurance may not provide comprehensive coverage in all circumstances, nor are all such risks insurable. Parex self-insures some risks, and its insurance coverage does not cover all the costs arising out of the allocation of liabilities and risk of loss arising from the Company's operations.

The Company's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead Parex to decide to reduce or possibly eliminate coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Company's overall risk exposure could be increased and Parex could incur significant costs.

Colombia has a publicized history of security problems. The Company and its personnel are subject to these risks, but through effective security and social programs, Parex believes these risks can be effectively managed. The Company maintains insurance in an amount that it considers adequate and consistent with industry practice and its operations; however, it is difficult to obtain insurance coverage to protect against terrorist incidents and, as a result, the Company's insurance program excludes this coverage. Consequently, incidents like this in the future could have a material adverse impact on the Company's operations.

5.4.12 ACCOUNTING ADJUSTMENTS AND EARNINGS

The Company's accounting policies conform to IFRS Accounting Standards, which constitute generally accepted accounting principles in Canada. The presentation of financial information in accordance with IFRS Accounting Standards requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the Company's consolidated financial statements. Accounting under IFRS Accounting Standards may result in non-cash charges and/or write-downs of net assets in the financial statements on a quarterly basis. Similarly, non-cash gains and reversals of asset write-downs may also be recorded from time to time. Such non-cash charges and write-downs may be viewed unfavourably by the market and may result in an inability to borrow funds, and/or may result in a decline in the price of the Company's Common Shares.

Lower oil and gas prices may increase the risk of write-downs of Parex's oil and gas property investments. Under IFRS Accounting Standards, property, plant and equipment costs are aggregated into groups known as cash-generating units ("CGUs") for impairment testing. CGUs are reviewed for indicators that the carrying value of the CGU may exceed its recoverable amount. If an indication of impairment exists, the CGU's recoverable amount is then estimated. A CGU's recoverable amount is defined as the higher of the fair value less costs to sell and its value in use. If the carrying amount exceeds its recoverable amount, an impairment loss is recorded to comprehensive net income in the period to reduce the carrying value of the CGU to its recoverable amount. While these impairment losses would not affect funds flow provided by operations, the charge to comprehensive net income could be viewed unfavourably in the market.

5.4.13 CASH FROM SUBSIDIARIES

Parex conducts all of its operations in Colombia through subsidiaries and branches outside Canada. Therefore, to the extent of these holdings, Parex will be dependent on the funds flow provided by the operations of these subsidiaries to meet its obligations, excluding any additional equity or debt it may issue from time to time. The ability of Parex's subsidiaries to make payments and transfer cash to it may be constrained by, among other things, the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which Parex operates, and the introduction of foreign exchange and/or currency controls or repatriation restrictions, or the availability of hard currency to be repatriated.

5.4.14 INTERNAL CONTROLS

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Based on their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

5.5 MARKET AND COMMODITY RISKS

5.5.1 COMMODITY PRICES, MARKETS AND MARKETING

Numerous factors beyond the Company's control do and will continue to affect the marketability and price of oil and natural gas acquired, produced or discovered by the Company. Accordingly, commodity prices are the Company's most significant financial risk. The Company's ability to market its oil and natural gas may depend upon its ability to acquire capacity on pipelines to deliver that oil and natural gas to commercial markets. There are deliverability uncertainties related to the distance of the Company's reserves from pipelines, processing and storage facilities, operational problems affecting pipelines and facilities and government regulation relating to prices, taxes, royalties, land tenure, allowable production and the export of oil and natural gas. Many other aspects of the oil and natural gas business may also affect the Company. At present, crude oil sales are generally benchmarked against Brent reference prices and subject to price differentials for crude quality.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of additional factors beyond the control of the Company. These factors include economic and political conditions in the United States, Canada, Europe, China, the Middle East and emerging markets, the actions of OPEC and other oil and gas exporting nations, governmental regulation, political stability in the United States, Middle East (including the Israel-Palestine war and the U.S./Israel-Iran war), Ukraine, Venezuela, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, risks of supply disruption, the price of foreign imports, and the availability of alternative fuel sources. Prices for oil and natural gas are also subject to the availability of foreign markets and the Company's ability to access such markets. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices.

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers may generate sufficient funds flow provided by operations to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers, triggering premium costs for their services. The cost of purchasing land or properties and work commitments associated with new exploration blocks can similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers may also decline.

All these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas production, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of the Company's reserves, borrowing capacity, revenues, profitability and funds flow provided by operations, and may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Oil and natural gas prices may be volatile for a variety of reasons including market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, pandemics, OPEC and non-OPEC producers' actions in respect of supply, political uncertainties, sanctions imposed on certain oil producing nations by other countries and ongoing conflicts in South America, the Middle East, the Russia–Ukraine war, the Israel–Palestine war and elsewhere. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions, development and exploitation projects. The Company monitors market conditions and may selectively utilize derivative instruments to reduce exposure to crude oil price movements. However, the Company is of the view that it is neither appropriate nor possible to eliminate 100% of its exposure to commodity price volatility.

5.5.2 HEAVY CRUDE OIL

Parex's crude oil sales are generally benchmarked against Brent reference prices and are subject to price differentials for crude quality and transportation. Heavy crude oil represents a material portion of Parex's production mix, and its realized prices for that production will typically be referenced to Colombian heavy crude blends (such as Vasconia) which trade at a discount to Brent and other lighter benchmarks. The size of that discount is influenced by numerous factors beyond Parex's control, including global supply of and demand for heavy crude oil, available refining capacity for heavy and sour crudes, competing supplies of heavy crude from other producing regions, and the availability and cost of pipeline, storage and marine transportation capacity required to move Parex's production from the Llanos and Magdalena Basins to export terminals on the Caribbean coast. Parex's ability to realize prices comparable to lighter benchmarks may also be affected by deliverability constraints, operational issues affecting pipelines and facilities, and its ability to acquire capacity on pipelines to deliver crude to commercial markets. Parex's commodity price risk management contracts are typically referenced to Brent and may not be effective in mitigating exposure to a widening of heavy crude differentials. A sustained widening of heavy crude differentials, or a sustained period of low realized heavy crude prices, could reduce Parex's funds flow provided by operations and Netbacks, render certain wells or development projects uneconomic, reduce the value of the Company's reserves and borrowing base under the Company's credit facility, and have a material adverse effect on Parex's business, financial condition, results of operations, cash flows and prospects.

5.5.3 DEMAND AND COMMODITY PRICES

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy-efficient products have a similar effect on the demand for oil and gas products. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and funds flow provided by operations by decreasing the Company's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

5.5.4 RISK MANAGEMENT OF COMMODITY PRICES OR CURRENCY

From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's risk management arrangements may expose it to the risk of financial loss in certain circumstances, including instances where: production falls short of the hedged volumes or prices fall significantly lower than projected; a widening of price-basis differentials between delivery points for production and the delivery point assumed in the risk management arrangement; the counterparties to the risk management arrangements or other price risk management contracts fail to perform under those arrangements; or a sudden unexpected event materially impacts oil and natural gas prices. The Company may also enter into agreements to receive currencies at a fixed price or fix interest rates of floating-rate-based debt. Therefore, similar to commodity price risk management, there are risks associated with any currency or interest rate swap or commodity derivative agreement.

5.5.5 RISK OF ABSENCE OF A LIQUID LOCAL SECONDARY MARKET FOR SHARES IN COLOMBIA

Although the Issuer's Common Shares have an active Secondary Market on the TSX, their registration and trading on the BVC is recent, so there is no history of local trading. There is no guarantee that a liquid and active Secondary Market for the Shares on the BVC will be developed or maintained, nor that Investors in

Colombia will be able to buy or sell their Shares at the time and price they wish. The liquidity of the local market will depend, among other factors, on the number of interested Colombian Investors, trading volumes, and the efficiency of the cross-border custody and settlement mechanisms between DECEVAL and the International Depository. Lower liquidity in the local market could adversely affect the price at which Investors can trade their Shares in Colombia.

Investors in Colombia should carefully consider that the Issuer, as a foreign issuer with securities registered in the RNVE and listed on the BVC, may in the future request the voluntary cancellation of such registration, which would have significant implications for local holders of the Shares.

5.5.6 RISK ASSOCIATED WITH THE INDEPENDENT NATURE OF, AND AMENDMENTS TO, THE OPERATING INSTRUCTIONS

Investors in Colombia should be aware that several aspects relating to the holding of the Shares in Colombia, including the payment of dividends, tax refunds and the exercise of economic and political rights, are governed by the procedures described in DECEVAL's Operating Instructions. The Operating Instructions are an independent document, of general application to the market, that does not form part of this Prospectus. Accordingly, the Operating Instructions may be amended, updated or replaced from time to time by DECEVAL, without this implying an amendment to this Prospectus. Such amendments could alter, among other things, the procedures, deadlines, costs and requirements applicable to the exercise of the rights attached to the Shares from Colombia.

Therefore, Investors in Colombia should consult the current version of the Operating Instructions before investing in the Shares and throughout the period in which they hold them. The Operating Instructions and their updates will be available on DECEVAL's website (www.deceval.com.co) and on the Issuer's website (www.parexresources.com). Updates to the Operating Instructions will be disclosed to the market through the means established by DECEVAL, including the publication of the new version on the aforementioned websites, and, where applicable, by the Company. If they fail to consult the current version of the Operating Instructions, Investors could face difficulties in the timely exercise of their rights or unforeseen costs or delays.

5.6 CONTRACTUAL AND COUNTERPARTY RISKS

5.6.1 FAILURE TO REALIZE ANTICIPATED BENEFITS OF ACQUISITIONS AND DISPOSITIONS

Parex recently completed the Frontera Acquisition. In addition, the Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses and assets may require substantial management effort, time and resources, diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company may realize less on disposition than their carrying value on the financial statements of the Company.

Parex may in the future acquire oil and natural gas properties and operations outside of Colombia, which expansion may present challenges and risks that Parex has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of Parex.

5.6.2 LITIGATION AND INTELLECTUAL PROPERTY LITIGATION

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including those resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of the Company's management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

The Colombian branches of the Company's subsidiaries are subject to asserted and unasserted claims arising in the normal course of business, including legal and regulatory proceedings. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these matters is subject to future resolution, management does not expect the ultimate resolution of these matters, individually or in the aggregate, to have a material adverse effect on the financial position, results of operations or cash flows of the Company. The Company carries liability insurance coverage in respect of certain of these matters; however, there can be no assurance that such coverage will be sufficient to protect against all potential liabilities.

In addition, rapid advances in oil and gas technology increase the risk of intellectual property disputes. The Company may face claims of infringement or initiate actions against others for infringing its rights. Such litigation can be costly, disrupt asset development, and divert technical and management resources, even if resolved in the Company's favour. In the event of an adverse outcome as a defendant in any such litigation, the Company may, among other things, be required to:

- pay substantial damages and/or cease the development, use, sale or importation of processes that infringe upon other patented intellectual property;
- expend significant resources to develop or acquire non-infringing intellectual property;
- discontinue processes incorporating infringing technology; or
- obtain licences to the infringing intellectual property.

However, the Company may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Company's business and financial position.

5.6.3 RISK OF CONTRACTUAL CONTINGENCIES AND UNFORESEEN FINANCING OBLIGATIONS

Parex is subject to certain contractual contingencies, which, if they were to occur, could have an impact on its business, financial condition or results of operations.

Certain of Parex's commercial agreements (including joint operating agreements) include provisions that require it, upon the occurrence of certain specific events, to fund cash calls, contribute capital, suffer dilution of the Company's participating interest or provide financial guarantees. If these contingencies were to occur, Parex may not have the ability to raise the funds necessary to finance such contingent obligations.

5.6.4 BREACH OF CONFIDENTIALITY

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at a competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

5.6.5 CONTRACTUAL EXPIRATION

Parex may be unable to find alternative revenue sources to replace the revenue that may be lost upon the expiration of certain E&P Contracts, Association Contracts, or Convenios. Although Parex may want to extend its E&P Contracts beyond their original expiration date, there is no assurance that such extension would be agreed to or, if so agreed, that the counterparties to such contracts would agree to terms that are acceptable to Parex. If any such contracts are terminated, any wells in production, buildings, facilities and other real estate and infrastructure possessions related to the fields subject to such contracts will revert without any additional compensation to Parex, which could have an adverse effect on the Company's business.

5.6.6 SUSTAINABILITY OF STRATEGIC RELATIONSHIPS

To develop its business, Parex may use its business relationships to establish strategic relationships, which may take the form of joint venture agreements with Ecopetrol, joint ventures with other private parties or with local government bodies or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that Parex uses in its business. Parex may not be able to establish these strategic relationships or, if established, it may not be able to maintain them. If Parex's strategic relationships are not established or maintained, its business prospects may be limited, which could diminish Parex's ability to conduct its operations.

5.6.7 JOINT VENTURE ARRANGEMENTS

In the development of Parex's business, it has entered into various joint venture activities to explore for or develop certain hydrocarbon assets. The success and timing of Parex's activities that are developed through these joint venture arrangements depend on a number of factors that are outside its control, including the approval of other participants on major decisions concerning the direction and operation of the assets and the development of certain projects, the timing and amount of capital expenditures to meet minimum work commitments, and the objectives and interests of other participants. Failure to satisfactorily meet demands or expectations by all of the parties may affect Parex's participation in the operation of a joint venture asset and may result in it losing the contractual right to the asset or project. As a result, Parex may assume significant additional costs that it would not otherwise be inclined to undertake to fulfill the obligations to meet certain work commitments to maintain its contractual rights for certain hydrocarbon assets that are considered material to Parex's business and operations.

5.7 RISKS RELATED TO FRONTERA ACQUISITION

5.7.1 PURCHASE PRICE ADJUSTMENT IN THE EVENT THE QUIFA CONDITION IS SATISFIED

Parex may be required to pay an additional US$25 million to Frontera if the Quifa Condition is satisfied. The Quifa Association Contract, under which Sabana Colombia holds a 60% working interest in its largest producing block, is scheduled to terminate in December 2031. Upon termination of the Quifa Association Contract, any wells in production, any buildings and any other real estate possessions in the Quifa block

will revert to Ecopetrol free of charge. In 2025, the Quifa block produced greater than 40% of Frontera E&P's production from its Colombian properties. While the parties intend to seek an extension of the Quifa Association Contract, there can be no assurance that Ecopetrol will agree to an extension or that any extension, if agreed, will be on terms acceptable to the Company. Satisfaction of the Quifa Condition will depend on Parex being able to successfully negotiate the required extension on terms acceptable to Parex. Failure to satisfy the Quifa Condition can adversely affect the operational results of Parex.

5.7.2 FRONTERA ACQUISITION MAY NOT ACHIEVE THE INTENDED BENEFITS

Although Parex expects to realize certain benefits as a result of the Frontera Acquisition, there is a possibility that it will be unable to successfully integrate Frontera E&P into its operations in order to realize the anticipated benefits of the Frontera Acquisition or may be unable to do so within the anticipated timeframe.

Parex expects to implement certain operational improvements and cost-savings initiatives having completed the Frontera Acquisition. Any cost savings that Parex realizes from such efforts may differ materially from its estimates. In addition, any cost savings that Parex realizes may be offset, in whole or in part, by reductions in revenues or through increases in other expenses. Parex's operational improvements and cost-savings plans are subject to numerous risks and uncertainties that may change at any time.

To effectively integrate Frontera E&P into Parex's operations, Parex must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to Frontera E&P. These efforts, together with the ongoing integration following the Frontera Acquisition, require substantial attention from Parex's management. This diversion of management attention, as well as any other difficulties which Parex may encounter in the integration process, could have an adverse effect on Parex's business, financial condition, results of operations and cash flows. There can be no assurance that Parex will be successful in integrating Frontera E&P's operations and, as a result, that the expected benefits of the Frontera Acquisition will be realized.

5.7.3 UNEXPECTED LIABILITIES AND ASSET VALUATION RISKS

Successful acquisitions require an evaluation of a number of factors, including estimates of recoverable reserves, exploration potential, future oil and natural gas prices, title suitability, operating and capital costs and potential environmental and other liabilities. Although the Company generally conducts a review of the properties it acquires, which the Company believes is consistent with industry practices, there is no guarantee that it has identified all existing or potential problems associated with Frontera E&P, or that it will be able to mitigate any problems identified. Such assessments are inaccurate and their accuracy is inherently uncertain.

The Company has conducted due diligence in connection with the Frontera Acquisition; however, its review may not allow the Company to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. The Company has not inspected all of the existing wells on Frontera E&P's properties. Even when the Company inspects a well, it does not always discover structural, subsurface, title and environmental problems that may exist or arise. There may also be liabilities of Frontera E&P that the Company failed to discover or was unable to quantify in its due diligence, and it may not be indemnified for some or all of these liabilities.

5.7.4 DEMANDS PLACED ON PAREX FROM FRONTERA ACQUISITION

The integration of Frontera E&P into Parex's business places significant demands on its managerial, operational, and financial personnel and systems. Parex cannot guarantee that its systems, procedures and controls will be adequate to support the expansion of operations following and resulting from the integration of the Frontera E&P business. The future operating results of Parex will be affected by the ability of its officers and key employees to manage changing business conditions and to implement and expand its operational and financial controls and reporting systems in connection with the Frontera Acquisition.

5.7.5 NO ASSURANCE OF FUTURE PERFORMANCE

Historic and current performance of Parex's business and the business of Frontera E&P may not be indicative of continued consistent performance or success in future periods. The future performance of Parex's business after the Frontera Acquisition may be adversely affected by economic conditions and other factors beyond its control. As a result of these factors, Parex's operations and financial performance, including Frontera E&P, may be negatively affected, which may adversely affect its financial results.

5.7.6 LITIGATION ARISING FROM FRONTERA ACQUISITION

Parex may be exposed to increased litigation from customers, suppliers, shareholders, or other third parties in connection with the Frontera Acquisition. Such litigation may have an adverse impact on Parex's business and results of operations or may cause disruptions to the Company's operations. Even if any such claims are without merit, defending against these claims can result in substantial costs and divert the time and resources of management.

5.8 RISKS RELATED TO INDEBTEDNESS

5.8.1 RESTRICTIVE COVENANTS UNDER DEBT CONTRACTS

The agreements governing Parex's indebtedness contain certain restrictive clauses that limit its ability to, among other things:

- incur or guarantee additional debt;
- make distributions;
- grant additional liens on its assets;
- transact with its affiliates;
- repurchase equity securities;
- make certain investments or acquisitions of substantially all or a portion of the business assets of another entity; and
- merge with another entity or dispose of its assets.

The requirement that Parex comply with these provisions may materially adversely affect its ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund needed capital or operating expenditures or withstand a continuing or future downturn in its business.

In addition, if Parex is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, lenders could terminate their commitments to lend or accelerate the loans and declare all amounts borrowed due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, Parex's assets might not be sufficient to repay in full all of its outstanding indebtedness and it may be unable to find alternative financing. Even if Parex could obtain alternative financing, it might not be on terms that are favourable or acceptable to it. Additionally, Parex may not be able to amend its debt agreements or obtain needed waivers on satisfactory terms.

6. MATTERS RELATED TO THE ISSUER'S BUSINESS ACTIVITIES

6.1 DEGREE OF DEPENDENCE ON CUSTOMERS AND SUPPLIERS

Parex is dependent on the availability of third-party contractor drilling and related equipment and skilled personnel, as well as on the water and power supply in the areas in which it operates. See section 5.1.12 – Availability of Drilling Equipment and Access and section 5.1.13 – Power Supply. No single supplier of drilling, completion and subsurface services accounted for more than 20% of services provided to Parex for the six months ended June 30, 2026.

As to customers, during the six months ended June 30, 2026, Ecopetrol S.A., a local customer, was the only customer that accounted for more than 20% of the Company's oil and natural gas sales, with sales of USD 475.8 million, equivalent to approximately 65% of total oil and natural gas sales for the period (USD 737.4 million). No other customer, local or foreign, accounted for more than 20% of such sales during the same period.

6.2 DESCRIPTION OF PRINCIPAL PRODUCTION AND SALES ACTIVITIES

The Company focuses on the sustainable exploration, development and production of conventional oil and gas. See section 3.1 – General Information About the Issuer.

Sales of the Company's oil and natural gas production are determined pursuant to the terms of the revenue agreements. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for quality, location, permitted deductions, if any, or other factors. Commodity prices are based on market indices determined monthly or daily.

The Company's other revenue includes pipeline transportation revenue and revenue related to power generation and use of infrastructure. The following table sets out the Company's revenue as determined for the three months ended June 30, 2026 and for the year ended December 31, 2025.

	For the three months ended June 30	**For the year ended Dec 31**
(thousands of USD)	**2026**	**2025**
Oil and natural gas sales	466,016	1,005,842
Royalties	(72,961)	(126,752)
Net Revenue	393,055	879,090
Other revenue	2,909	9,826
Commodity risk management contracts gain (loss)	(76)	(1,419)
Revenue	**395,888**	**887,497**

7. FINANCIAL INFORMATION

7.1 AUTHORIZED, ISSUED AND PAID-IN CAPITAL OF THE ISSUER AND NUMBER OF SHARES OUTSTANDING

Authorized Capital

Parex is authorized to issue an unlimited number of voting Common Shares without nominal or par value.

Number of Shares Outstanding and Subscribed and Paid-in Capital

As at June 30, 2026, the Company had 96,180,254 Common Shares issued and outstanding.

All Outstanding Shares are fully subscribed and paid-in, and the shareholders are not subject to any additional payment obligations in respect of such shares.

The Common Shares are listed and traded on the TSX under the symbol “PXT”.

7.2 TAKEOVER BIDS FOR THE ISSUER’S SHARES COMPLETED IN THE LAST YEAR

As at June 30, 2026, the cut-off date of the interim financial statements supporting this Prospectus, no takeover bid for shares issued by Parex has been carried out during the last year.

7.3 PROVISIONS AND RESERVES FOR SHARE REPURCHASES

The Issuer has not established reserves or provisions for share buybacks.

7.4 DIVIDEND PAYMENT INFORMATION

In 2021, the Board of Directors implemented a dividend program pursuant to which the Company expects to pay a regular quarterly cash dividend. If declared, the quarterly dividend is expected to be paid in each quarter of March, June, September and December of each year to holders of record of Common Shares of such month.

Notwithstanding the foregoing, the decision to declare any dividend and the amount of future cash dividends declared and paid by Parex, if any, will be subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including, without limitation, business performance, operating environment where Parex’s assets are located, financial condition, growth plans, fluctuations in commodity prices, production levels, expected capital expenditure requirements, operating costs, royalty burdens, foreign exchange rates, interest rates, compliance with any restrictions on the declaration and payment of dividends contained in any agreements to which Parex or any of its subsidiaries is a party from time to time (including, without limitation, the agreements governing Parex’s credit facilities), and the satisfaction of liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. The actual amount, the record date and the payment date of any dividend are subject to the discretion of the Board of Directors. There can be no assurance that dividends will be paid at the current rate or at any rate in the future. The Board of Directors intends to review the dividend program from time to time, at its discretion. Depending on the foregoing factors and any other factors that the Board of Directors deems relevant from time to time, many of which are beyond the control of Parex, the Board of Directors may change the program following any such review or at any other time that the Board of Directors deems appropriate. Any such change may include, without restriction, future cash dividends being reduced or suspended entirely.

During the years ended December 31, 2025, 2024 and 2023, and the six-month periods ended June 30, 2025 and 2026, the Company paid the cash dividends set out in the following table:

As at December 31	2023	2024	2025	Jun-25	Jun-26

Net income for the year / six-month period (USD thousands)	$459,309	$60,680	$255,083	$129,742	$448,885
Net income per Share (USD)[5]	$4.32	$0.60	$2.62	$1.33	$4.67
Dividend per Share (CAD)	$1.50	$1.53	$1.54	$0.77	$0.77
Regular dividend (CAD)	$1.50	$1.53	$1.54	$0.77	$0.77
Special dividend (CAD)	-	-	-	-	-
Payment method	Cash	Cash	Cash	Cash	Cash
Percentage of net income distributed as dividends	25.8%	184.9%	42.2%	41.6%	11.9%
Equity Value per Share (USD)	$18.84	$18.62	$20.35	$19.51	$24.45
Average Share price (CAD)	$25.57	$18.93	$15.41	$13.47	$24.05
Period-end Share price (CAD)	$24.95	$14.58	$18.45	$13.91	$21.39
Period-end Share price / Net income per Share[67]	4.37x	16.89x	5.14x	7.67x	3.22x
Period-end Share price (CAD) / Dividend per Share (CAD)[7]	16.63x	9.53x	11.98x	18.06x	27.78x
Equity Value per Share (USD)/ Net income per Share (USD)	4.36x	31.04x	7.77x	14.67x	5.24x
Equity Value per Share / Dividend per Share[6]	16.61x	17.51x	18.11x	34.57x	45.12x
Period-end Share price / Equity Value per Share	1.00x	0.54x	0.66x	0.52x	0.62x
Closing CAD/USD exchange rate	$0.76	$0.69	$0.73	$0.73	$0.70

Source of closing CAD/USD exchange rates: Bank of Canada.

7.5 INFORMATION ON EBITDA IN THE LAST THREE YEARS AND FOR THE THREE MONTHS ENDED JUNE 30, 2026[8]

The following table sets out the Company's EBITDA for each of the last three years and for the three months ended June 30, 2026.

	2023	2024	2025	Q2 2026
Net income (USD thousands)	**$459,309**	**$60,680**	**$255,083**	**$444,296**
EBITDA adjustments:				
Finance Income[9]	($14,055)	($4,315)	($4,369)	($2,740)
Finance Expense[10]	$13,834	$18,408	$21,402	$17,219

[5]Net income divided by number of shares.

[6] For ratios combining amounts denominated in CAD and in USD, the CAD-denominated amount is converted into USD using the applicable closing CAD/USD exchange rate presented in the table.

[7] Market price-based ratios are calculated using the closing Share price for the respective period.

[8]EBITDA is a non-GAAP financial measure that is defined as net income adjusted for finance income and expense, other expense, income tax expense and depletion, depreciation and amortization.

[9] Certain comparative figures for 2023 have been reclassified to conform with the current period's presentation as described in Note 2 to the Consolidated Financial Statements as at December 31, 2024.

[10] Ibid.

Other Expense[11]	$2,582	$6,227	$29,200	$8,970
Income Tax (Recovery) Expense	($5,070)	$248,592	($20,277)	($42,576)
Depletion, Depreciation & Amortization	$194,229	$215,770	$200,405	$62,382
EBITDA	**$650,829**	**$545,362**	**$481,444**	**$487,551**

The 12% reduction in annual EBITDA from fiscal 2024 to fiscal 2025 was caused by lower production volumes and Brent crude prices, increased transportation costs and increased general and administrative expenses, among other factors.

7.6 EVOLUTION OF SHARE CAPITAL

The Company has authorized an unlimited number of Common Shares. The following table sets out the Company's share capital for each of the last three years and the six months ended June 30, 2026.

Issued and Outstanding Common Shares as at Date Indicated	Number of Shares	Amount (USD thousands)	Amount (COP thousands)
December 31, 2023	103,811,718	$660,817	$2,525,675,615
December 31, 2024	98,339,036	$632,899	$2,790,546,626
December 31, 2025	95,974,136	$621,062	$2,333,381,467
June 30, 2026	96,180,254	$624,657	$2,149,338,545

Note: Share capital is presented in thousands of U.S. dollars (USD), the currency in which it is recorded in the Company's consolidated financial statements. The amounts in Colombian pesos correspond to the conversion of such amounts using the closing COP/USD exchange rate in effect at each cut-off date.

In 2025, no options were exercised (year ended December 31, 2024 - 22,168 options were exercised for proceeds of $0.3 million).

In 2025, the Company repurchased 2,364,900 Common Shares pursuant to its reacquisition program (normal course issuer bid) for $26.5 million at an average cost per Share of C$15.37 (year ended December 31, 2024 - 5,494,850 Common Shares repurchased for $73.8 million at an average cost per share of C$18.04). The cost to repurchase Common Shares at a price in excess of their average book value has been charged to retained earnings.

Dividends paid in 2025 were $107.7 million or C$1.54 per Share (year ended December 31, 2024 - $112.2 million or C$1.53 per Share) to shareholders on record for each dividend payment.

[11] Ibid.

7.7 CONVERTIBLE LOANS OR OBLIGATIONS

As of June 30, 2026, the Company has no convertible or exchangeable loans or obligations, or bonds convertible into shares. Accordingly, there are no instruments of this nature that could give rise to the issuance of new shares through conversion, exchange or subscription, nor any increase in share capital derived from such mechanisms. In the future, the Company may consider issuing debt instruments or other securities convertible into Shares as a financing alternative, which, if it materializes, will be disclosed to the Colombian securities market in accordance with applicable regulations.

7.8 MAIN ASSETS OF THE ISSUER

Assets	June 30, 2026 (thousands of USD)	Percentage of Assets
Cash and cash equivalents	163,286	3.86%
Restricted cash and cash equivalents	6,120	0.14%
Accounts receivable	151,485	3.58%
Prepaids and other current assets	35,506	0.84%
Marketable securities	55,375	1.31%
Derivative financial instruments	3,874	0.09%
Current income tax receivable	145,149	3.43%
Short-term inventory	41,452	0.98%
Total current assets	**602,247**	**14.22%**
Exploration and evaluation	260,751	6.16%
Property, plant and equipment	2,595,243	61.27%
Long-term inventory	167,366	3.95%
Other long-term assets	50,432	1.19%
Deferred tax asset	486,039	11.48%
Goodwill	73,452	1.73%
Total assets	**4,235,530**	**100.00%**

7.9 INVESTMENTS THAT EXCEED 10% OF THE TOTAL ASSETS OF THE ISSUER

Other than investments in its wholly-owned subsidiaries (see section 3.1.7 – Subsidiary Companies), the Company did not hold any investments in any other entities with a value that exceeds 10% of the Company's total assets.

7.10 RESTRICTIONS ON THE SALE OF THE ASSETS THAT MAKE UP THE ISSUER'S INVESTMENT PORTFOLIO

As of June 30, 2026, there are no restrictions on the sale of assets comprising the Issuer's investment portfolio, other than the restrictions contained in the Issuer's credit facilities.

7.11 PRINCIPAL INVESTMENTS IN PROGRESS AND HOW THEY ARE FINANCED

The Company's 2026 capital expenditure guidance is between US$495 million and US$515 million, which has been allocated to the following basins:

Basin	%
Llanos Basin	60.4%
Putumayo Basin	15.6%
Block LLA-34	12.6%
Magdalena Basin	11.3%
Total	100.0%

Parex's full capital expenditure is 100% self-financed.

7.12 FIRM COMMITMENTS FOR FUTURE INVESTMENT

As of June 30, 2026, Parex has no firm commitments to acquire future material investments through mergers and acquisitions, provided, however, that in the ordinary course of its business Parex is continuously seeking and evaluating opportunities for further investments.

7.13 DESCRIPTION OF FIXED ASSETS SEPARATED BY OWNED, LEASED, RENTED AND OTHERS

The following table sets out the cost, accumulated depreciation, depletion and amortization and net book value of Parex's property, plant and equipment as at the dates indicated.

Net Book Value in USD as at Dates Indicated	**Cost**	**Accumulated Depreciation, Depletion and Amortization**	**Net Book Value**
December 31, 2024	$3,778,329	$2,359,028	$1,419,301
December 31, 2025	$4,060,442	$2,560,229	$1,500,213
June 30, 2026	$5,268,960	$2,673,717	$2,595,243

Parex's core assets are found within three basins: the Llanos Basin, Magdalena Basin and Putumayo Basin, where the Company holds E&P Contracts with the ANH. The purpose of these holdings is to conduct exploration and development activity with the objective of recovering natural resources (oil and gas).

Included within fixed assets are right-of-use assets for power generation and storage, office leases, and polymer injection equipment.

Core assets held by the Company include:

Llanos Basin

- **LLA-34**: Mature, high-quality asset focused on production optimization through waterflood and polymer flood programs to maximize recovery and generate strong free cash flow. (GeoPark holds the remaining working interest.)

- **Cabrestero**: Long-life producing asset utilizing waterflood and polymer flood technologies to enhance recovery and support stable production.

- **Quifa**: Large heavy oil asset with significant enhanced oil recovery potential. (Partnered with Ecopetrol.)

- **CPE-6**: Producing heavy oil asset with additional development and expansion opportunities under evaluation.

- **LLA-111**: Multi-field development area with an active drilling program supporting near-term production growth.

- **Llanos Foothills**: High-impact exploration portfolio targeting gas and liquids in partnership with Ecopetrol.

Magdalena Basin

- **VIM-1**: Producing gas asset supported by ongoing development drilling, exploration activities, and expansion of commercial gas sales.

- **Casabe and Llanito**: Large conventional oil fields focused on increasing recovery through secondary and enhanced oil recovery techniques. (Partnered with Ecopetrol.)

Putumayo Basin

Large, underdeveloped acreage position with producing assets and significant development and exploration potential. Parex is applying proven development and enhanced recovery techniques to increase production, improve recovery, and grow reserves in partnership with Ecopetrol.

7.14 PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS OF THE ISSUER THAT ARE BEING USED UNDER AGREEMENTS WITH THIRD PARTIES, INDICATING ROYALTIES EARNED AND PAID

There are no patents, trademarks, or other intellectual property rights of Parex that are being used under agreements with third parties.

7.15 INFORMATION ABOUT GOVERNMENT PROTECTIONS AND DEVELOPMENT INVESTMENTS AFFECTING THE ISSUER

The protection framework operates on four levels: (i) equal treatment and admission of investments under Colombian law; (ii) foreign exchange rights, including special rules where the investment is made through

a branch subject to the special foreign exchange regime applicable to the hydrocarbons sector; (iii) rights and remedies available under the Canada–Colombia Free Trade Agreement (the "**Canada–Colombia FTA**"), provided that the applicable requirements are met; and (iv) contractual and administrative rights arising from the E&P Contract entered into with the ANH.

The mere fact that an Investor is Canadian or that the investment relates to an oil and gas project (a rule that applies across all sectors) does not confer any general entitlement to subsidies, sovereign guarantees, tax stability, or compensation for regulatory risk.

7.15.1 GENERAL PROTECTIONS UNDER CONSTITUTIONAL AND FOREIGN EXCHANGE LAW

Equal Civil Rights and Guarantees

Article 100 of the Colombian Constitution provides that foreigners enjoy the same civil rights afforded to Colombian citizens and the guarantees granted to nationals, subject to the limitations established by the Constitution or by law. This rule should be read together with the freedom of private initiative and enterprise established under Article 333 of the Colombian Constitution, within the limits of the common good and applicable law.

The specific rule governing international investment is even more precise: the foreign exchange regime requires foreign capital investments to receive the same treatment as investments made by residents. Therefore, except where special regimes apply, foreign capital may neither be subject to discriminatory conditions nor receive more favourable treatment than domestic capital.

Access to Investment and Excluded Sectors

Foreign capital investment may be made in all sectors of the economy and, as a general rule, does not require prior authorization. The express exceptions under the general regime are activities related to national defense and security, and the processing, disposal, or treatment of toxic, hazardous, or radioactive waste not produced in Colombia.

Foreign Exchange Rights: Profits, Reinvestment, and Divestment

Once the investment has been made and duly registered with the Banco de la República in accordance with the applicable procedure, the Investor may:

- reinvest profits or retain them as surplus with remittance rights;
- capitalize amounts with remittance rights;
- remit abroad, in freely convertible currency, duly verified net profits; and
- remit abroad the proceeds from the sale, liquidation, or capital reduction of the investment.

The regime guarantees that the conditions applicable to the reimbursement of the investment and the remittance of profits in effect at the time of registration will not be adversely modified, except temporarily if international reserves fall below the equivalent of three months of imports (Decree 119 of 2017, Articles 2.17.2.2.3.1 and 2.17.2.2.3.2).

These protections are subject to compliance with applicable law: the investment must be lawful, properly registered, and comply with the applicable foreign exchange, tax, sector-specific, and risk-prevention rules. An investment made in violation of the applicable regime is not entitled to the foreign exchange rights and guarantees described above (pursuant to Decree 119 of 2017, Articles 2.17.2.2.4.2 and 2.17.2.5.1.1).

7.15.2 PROTECTION UNDER THE CANADA-COLOMBIA FREE TRADE AGREEMENT

The investment chapter of the Canada–Colombia FTA is the directly relevant source of international protection for an Investor that qualifies as Canadian under the treaty and makes a covered investment in Colombia. Colombia approved the agreement through Law 1363 of 2009, the official text of which is published by the Ministry of Trade.

According to the official text of the Canada–Colombia FTA published by the Colombian Ministry of Foreign Affairs, the investment chapter provides, subject to its definitions, reservations and exceptions, for: national treatment and most-favoured-nation treatment; the minimum standard of treatment under customary international law, including fair and equitable treatment and full protection and security; protection against direct or indirect expropriation unless undertaken for a public purpose, in accordance with due process, on a non-discriminatory basis, and upon payment of prompt, adequate, and effective compensation; and freedom to make transfers related to the investment.

The same chapter provides for an Investor–State dispute settlement mechanism. However, access to international arbitration is subject to the treaty's jurisdictional requirements, consent provisions, time limits, waivers, and other applicable conditions. It does not arise merely from the fact that a company is Canadian, nor does it replace the operator's contractual or regulatory obligations.

A particularly relevant limitation for the oil and gas sector

The Canada-Colombia FTA does not render royalties, taxes, environmental regulations, licensing requirements, social obligations or technical requirements immutable. Any potential claim requires demonstrating a breach of a specific treaty obligation and assessing the applicable exceptions, annexes and reservations. Accordingly, the international investment protection standard should not be construed as a guarantee that the regulatory framework or the E&P Contract will remain unchanged.

7.15.3 FRAMEWORK GOVERNING OIL AND GAS EXPLORATION AND PRODUCTION

E&P Contract, ANH, and State Ownership of Hydrocarbon Resources

The State owns the subsoil and non-renewable natural resources. Accordingly, a Canadian Investor does not acquire ownership of such resources merely by making an investment: access to exploration and production activities depends on the award of the relevant area and the execution of an E&P Contract, or other applicable contractual instrument, with the ANH.

The ANH administers the nation's hydrocarbon resources and the contractual instruments governing their exploration and production. The specific terms regarding duration, exploration programs, guarantees, minimum investment commitments, economic considerations, grounds for suspension, assignment, termination, force majeure, and dispute resolution mechanisms arise primarily from the contract, its annexes, the terms of the applicable area-award process, and the ANH decisions applicable to the relevant area.

In practical terms, for an upstream project, the contract with the ANH is the primary source of protection against specifically contractual risks. The Canada–Colombia FTA operates on a different level: it protects covered investments against breaches of the State's international obligations, but it does not transform every contractual breach or regulatory measure into a treaty violation.

Special Foreign Exchange Regime for Hydrocarbon Branches

The most significant difference from the general foreign exchange regime arises when the oil and gas company operates in Colombia through a branch subject to the special foreign exchange regime applicable to the hydrocarbons sector. This regime allows supplementary investment to assigned capital to include foreign currency holdings, goods, and services, and permits negative balances in that account.

For these branches, foreign currency proceeds from oil exports are not subject to mandatory repatriation through the Colombian foreign exchange market; such proceeds may be received directly by the parent company abroad. However, their access to the Colombian foreign exchange market is subject to a special regime and is restricted to the transactions authorized under the regulations issued by the Board of Directors of Banco de la República.

The treatment applicable to a branch under the special regime should not be extrapolated to a Colombian subsidiary. The corporate structure and the manner in which the ANH contract is performed should therefore be reviewed before determining the appropriate structure for capital contributions, payments, indebtedness, repatriation of funds, and foreign exchange registrations.

Royalties and Economic Obligations

Royalties are neither an incentive nor compensation: they are an economic obligation associated with the exploitation of non-renewable natural resources and form part of the economic and regulatory framework that must be assessed from the area-acquisition stage. The General Royalties System is governed by Law 2056 of 2020 and its implementing regulations.

7.16 TRANSACTIONS WITH RELATED PARTIES ENTERED INTO DURING THE IMMEDIATELY PRECEDING YEAR

There were no material interests, direct or indirect, of (i) directors or executive officers of the Company, (ii) of any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding voting securities of the Company, or (iii) of any known associate or affiliate of such persons, in any transaction with the Company or any of its subsidiaries entered into during the financial year ended December 31, 2025.

During the financial year ended December 31, 2025, no indebtedness to the Company or its subsidiaries was incurred by directors or executive officers of the Company.

7.17 LOANS OR CONTINGENCIES REPRESENTING 5% OR MORE OF THE TOTAL LIABILITIES OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LAST FISCAL YEAR

Unsecured Notes

On May 11, 2026, in conjunction with the Frontera Acquisition, the Company completed a US$500 million private placement offering of senior unsecured notes due 2031 (“2031 Unsecured Notes”) to fund the acquisition and for general corporate purposes. The 2031 Unsecured Notes were priced at par, bear interest at a rate of 8.50% per annum and mature on May 11, 2031, unless earlier redeemed or repurchased. The interest is payable semi-annually in arrears on November 11 and May 11 of each year, beginning on November 11, 2026.

Net proceeds from the sale of the 2031 Unsecured Notes were $484.6 million, after deducting the initial offering expenses payable by the Company of $15.4 million.

Key covenants include a fixed charge test of not less than 2.25:1 and net debt to adjusted EBITDA test of not more than 3.50:1 and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

In connection with the Frontera Acquisition, the Company, through the Buyer, assumed all of Frontera’s obligations under the US$310 million aggregate principal amount of its 7.875% senior unsecured notes due 2028 (the “2028 Unsecured Notes”), issued on June 21, 2021. Interest is payable semi-annually in arrears on June 21 and December 21 of each year, beginning on December 21, 2021. The 2028 Unsecured Notes will mature on June 21, 2028, unless earlier redeemed or repurchased.

Key covenants include a fixed charge test of not less than 2.25:1 and net debt to adjusted EBITDA test of not more than 3.25:1 and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

The 2028 Unsecured Notes and 2031 Unsecured Notes are subordinated to secured debt to the extent of the value of the assets securing such indebtedness.

Credit Facility

The Company has a senior secured credit facility with a syndicate of banks which at June 30, 2026 had a borrowing base of $240 million. The credit facility is intended to serve as a means to increase liquidity and fund cash or letter of credit needs as they arise. At June 30, 2026, there was no draw on the credit facility.

The credit facility bears interest and fees based in the following manner:

- advances on the revolving facility bear interest at rates per annum equal to U.S. base rate or SOFR plus applicable margins;
- advances on the operating line bear interest at rates per annum equal to Canadian prime rate plus applicable margins; and
- undrawn amounts bear a commitment fee.

The credit facility is secured by the Company's Colombian assets and has a final maturity date of May 31, 2028. The next annual review is scheduled to occur in May 2027.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of not more than 3.50:1, senior secured debt to adjusted EBITDA test of not more than 3.00:1, and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

Minimum Work Commitments

At June 30, 2026, performance guarantees to support the exploration work commitments on the Company's Colombian concessions were in place with the ANH and Ecopetrol joint venture blocks in the amount of $504.1 million. The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The value of the Company's exploration commitments as at June 30, 2026 in respect of the Colombia work commitments under E&P Contracts, and joint venture farm-in arrangements, is as set out below.

$	2026	2027	2028	2029	2030	Thereafter	Total
Exploration and evaluation							
Minimum work commitments	$40,655	$143,911	$104,155	$11,689	—	$405,504	$705,914

7.18 OBLIGATIONS OF THE ISSUER

The following sets out the Company's debt as at June 30, 2026 (expressed in thousands of USD):

	June 30, 2026
2031 Unsecured Notes	$484,953
2028 Unsecured Notes	$307,312
Total unsecured notes	$792,265
Credit facility	—
Total debt	$792,265

See section 7.17 – Loans or Contingencies Representing 5% or More of the Total Liabilities of the Consolidated Financial Statements of the Last Fiscal Year for a description of these obligations.

7.19 LEGAL PROCEEDINGS AGAINST THE ISSUER

In the ordinary course of their operations, the Colombian branches of the Company's subsidiaries are subject to various claims and legal and regulatory proceedings, including environmental regulatory disputes and tax, labour and contractual proceedings. Other than such claims and proceedings, to the knowledge of the Company, as at June 30, 2026 there were no other legal or administrative proceedings to which the Company was a party or of which any of its property was the subject matter, nor was the Company aware of any such proceedings being contemplated as of such date.

The Company has established legal provisions in respect of estimated fines and penalties arising mainly from environmental regulatory disputes, of USD 1,343 thousand and USD 1,519 thousand for the three- and six-month periods ended June 30, 2026, respectively (USD 0 for the same periods in 2025). Management has assessed the likelihood of resolution and determined the best estimate based on relevant legislation and the probability of enforcement outcomes. The timing of cash outflows is expected to be within 10 years. Significant judgement was applied in estimating the range of possible outcomes given the uncertainty involved. In addition, the Company has recognized a provision for the estimated costs required for site restoration in accordance with applicable regulations and contractual obligations, of USD 4,234 thousand and USD 10,803 thousand for the three- and six-month periods ended June 30, 2026, respectively. Management expects a portion of these restoration costs to be recovered through insurance arrangements; insurance recoveries are recognized only when recovery is virtually certain. For a more detailed description of litigation-related risks, see section 5.6.2 – General and Intellectual Property Litigation.

During the year ended December 31, 2025 there were: (i) no penalties or sanctions against the Company imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable Investor in making an investment decision; and (iii) no settlement agreements the Company entered into with a court relating to securities legislation or with a securities regulatory authority.

7.20 SECURITIES REGISTERED IN THE RNVE

As of the date prior to the authorization of this Prospectus, the Issuer did not have any securities registered in the RNVE.

7.21 OUTSTANDING DEBT SECURITIES THAT HAVE BEEN PUBLICLY OFFERED AND ARE UNREDEEMED

On May 11, 2026, in connection with the Frontera Acquisition, the Company completed a US$500 million private placement offering of 8.50% senior unsecured notes due 2031. In conjunction with the Frontera Acquisition, the Company assumed all of Frontera's obligations under its US$310 million aggregate principal amount of 7.875% senior unsecured notes due 2028.

See section 7.17 – Loans or Contingencies Representing 5% or More of the Total Liabilities of the Consolidated Financial Statements of the Last Fiscal Year for further details regarding the unsecured notes issued by Parex.

7.22 VALUE OF SECURITY INTERESTS GRANTED IN FAVOUR OF THIRD PARTIES

The Company has a senior secured credit facility with a syndicate of banks which at June 30, 2026 had a borrowing base of $240 million. The credit facility is secured by the Company's Colombian assets.

At June 30, 2026, performance guarantees to support the exploration work commitments on the Company's Colombian concessions were in place with the ANH and the blocks governed by BCAs with Ecopetrol in the amount of $504.1 million. These guarantees have been provided in the form of letters of credit with various terms, issued mainly by selected Latin American banks without any specific collateral requirement, and therefore do not encumber any of the Company's assets.

In addition, in connection with the ship-or-pay transportation agreements entered into with Bicentenario and Cenit, the Company has granted a pledge in favour of Ocensa and Cenit over the pledged crude oil inventory, which is stored at Cenit's Coveñas terminal (TLU-3), securing the payment obligations under both agreements. At June 30, 2026, the Company's transportation commitments amounted to $16.4 million and the carrying value of the Company's crude oil inventory was $26.2 million.

See section 7.17 – Loans or Contingencies Representing 5% or More of the Total Liabilities of the Consolidated Financial Statements of the Last Fiscal Year for further details regarding the security granted in connection with Parex's credit facility and the performance guarantees in place with the ANH and Ecopetrol.

7.23 CONSERVATIVE ASSESSMENT OF ISSUER PROSPECTS

The Company is focused on growing its business in Colombia through a disciplined combination of organic exploration, development, enhanced recovery, and strategic acquisitions. Parex's core operations are concentrated in the Llanos, Magdalena, and Putumayo basins, where the Company maintains a diversified portfolio of producing assets and development opportunities.

Llanos Basin

- **LLA-34**: Mature, high-quality asset focused on production optimization through waterflood and polymer flood programs to maximize recovery and generate strong free cash flow. (GeoPark holds the remaining working interest.)

- **Cabrestero**: Long-life producing asset utilizing waterflood and polymer flood technologies to enhance recovery and support stable production.

- **Quifa**: Large heavy oil asset with significant enhanced oil recovery potential. (Partnered with Ecopetrol.)

- **CPE-6**: Producing heavy oil asset with additional development and expansion opportunities under evaluation.

- **LLA-111**: Multi-field development area with an active drilling program supporting near-term production growth.

- **Llanos Foothills**: High-impact exploration portfolio targeting gas and liquids in partnership with Ecopetrol.

Magdalena Basin

- **VIM-1**: Producing gas asset supported by ongoing development drilling, exploration activities, and expansion of commercial gas sales.

- **Casabe and Llanito**: Large conventional oil fields focused on increasing recovery through secondary and enhanced oil recovery techniques. (Partnered with Ecopetrol.)

Putumayo Basin

- Large, underdeveloped acreage position with producing assets and significant development and exploration potential. Parex is applying proven development and enhanced recovery techniques to increase production, improve recovery, and grow reserves in partnership with Ecopetrol.

The Company's development and growth initiatives are supported by a disciplined capital allocation framework designed to maintain a self-funded business model while delivering sustainable long-term growth.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF THE OPERATION AND THE FINANCIAL CONDITION OF THE ISSUER

8.1 KNOWN TRENDS, COMMITMENTS OR EVENTS THAT MAY OR WILL MATERIALLY AFFECT THE ISSUER'S LIQUIDITY, RESULTS OF OPERATIONS OR FINANCIAL CONDITION

Trends in net income, oil and natural gas sales and funds flow provided by operations are primarily associated with fluctuations in commodity sales from production which reflect changes in production levels and commodity prices, in addition to fluctuations in foreign currency. Net income is also impacted by changes in non-cash impairment of property, plant and equipment, exploration and evaluation and long-term inventory assets, as well as acquisition-related accounting adjustments, including fair value adjustments recognized as part of the purchase price allocation. Changes in income taxes also impact net income for current and deferred taxes, while funds flow provided by operations is impacted by current income taxes.

Working capital trends are primarily associated with fluctuations in funds flow provided by operations, capital expenditures and long-term inventory expenditures in accordance with the Company's activities, as well as the timing of settlement of receivables, payables and income taxes. Financing activities, including bank debt borrowings or repayments, the issuance or repayment of debt, and the cost associated with share repurchases and dividend payments, also impact working capital and liquidity trends.

The Company remains committed to delivering returns to shareholders, while also investing in its assets to provide a total shareholder return. The Company primarily relies on funds flow provided by operations and its credit facility to meet capital requirements, dividend payments, share repurchases and maintain liquidity. After evaluating its current liquidity, working capital position, projected working capital needs, operational results, and financial forecasts as at June 30, 2026, the Company anticipates that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities.

Although the Company considers this outlook reasonable, available cash and cash equivalents are subject to fluctuations and risks associated with ordinary operations, and the Company cannot guarantee that its

liquidity objective will be met in whole or in part, that sufficient internally generated funds will be available or that external financing will be available if required.

8.2 PERFORMANCE OF OPERATING INCOME

The Company's oil and natural gas production sales are determined pursuant to the terms of the revenue agreements. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The Company's oil and natural gas sales by product are as follows:

as at December 31
USD thousands

	Crude oil	**Natural gas**	**Oil and natural gas sales**
2023[12]	$1,398,607	$ 10,096	$ 1,408,703
2024	$ 1,267,178	$ 12,851	$ 1,280,029
2025	$ 975,687	$ 30,155	$ 1,005,842

Parex's oil and natural gas sales decreased to approximately $1.006 billion in 2025 from approximately $1.280 billion in 2024, representing a decline of roughly 21%. The reduction was primarily driven by lower crude oil sales volumes and lower realized oil prices resulting from weaker global oil prices. Average crude oil production declined to 43,522 bbl/d in 2025 from 49,186 bbl/d in 2024, while the average realized sales price decreased to US$61.90/boe from US$69.80/boe. These factors were partially offset by a significant increase in natural gas sales, which rose to US$30.2 million in 2025 from US$12.9 million in 2024, reflecting both higher production volumes from the Capachos and VIM-1 blocks and an increase in realized gas prices. Overall, the decline in crude oil revenues more than offset the growth in natural gas revenues, resulting in lower total hydrocarbon sales for the year.

as at June 30 (six months)

USD thousands	**Crude oil**	**Natural gas**	**Oil and natural gas sales**
2025	$492,342	$12,363	$504,705
2026	$717,530	$19,863	$737,393

During the six months ended June 30, 2026, Parex continued to experience growth in natural gas production and sales while maintaining a production profile predominantly focused on oil.

[12] Certain comparative figures have been reclassified to conform with the current period's presentation as described in Note 2 to the Consolidated Financial Statements as at December 31, 2024.

Parex reported that increased gas production from the VIM-1 area and additional production from the LLA-111 block contributed positively to operating performance during the period. In addition, approximately $29.0 million of exploration and evaluation assets were transferred to property, plant and equipment related to the LLA-111 block, reflecting the continued advancement of development activities. Although crude oil remained the principal source of revenue, the growing contribution from natural gas provided a greater degree of revenue diversification. The period was also characterized by continued investment in production and development activities, including additions to property, plant and equipment of approximately $117.4 million. As a result, while crude oil sales remained the principal revenue driver during both periods, Parex's natural gas business continued to gain importance between 2025 and 2026.

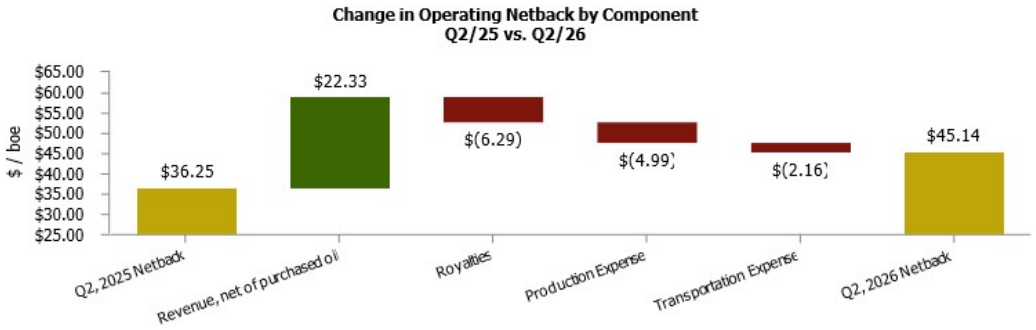
8.3 ANALYSIS OF OPERATIONAL RESULTS

The following table sets out select metrics from the Company's consolidated statements of net income and comprehensive income for the periods indicated. Refer also to the complete statements for the periods ended June 30, 2026 and December 31, 2025, which are included in the financial statements attached as Exhibit 7.

as at December 31 – USD thousands	**2023**	**2024**	**2025**	**Jun-25**	**Jun-26**
Oil and natural gas sales[13]	$ 1,408,703	$ 1,280,029	$ 1,005,842	$ 504,705	$ 737,393
Royalties	$ (244,703)	$ (201,418)	$ (126,752)	$ (67,318)	$ (109,749)
Net revenue	**$ 1,164,000**	**$ 1,078,611**	**$ 879,090**	**$ 437,387**	**$ 627,644**
Other revenue[14]	$ 6,314	$ 8,157	$ 9,826	$ 4,831	$ 4,664
Total revenue	**$ 1,170,314**	**$ 1,085,608**	**$ 887,497**	**$ 443,185**	**$ 600,411**
Production expenses	$ (207,129)	$ (255,278)	$ (225,543)	$ (106,350)	$ (148,082)
Transportation expenses	$ (68,306)	$ (65,745)	$ (76,444)	$(34,239)	$ (54,276)
General and administrative expenses	$ (61,077)	$ (68,908)	$ (71,326)	$ (34,455)	$ (45,839)
Depletion, depreciation and amortization	$ (194,229)	$ (215,770)	$ (200,405)	$ (98,368)	$ (113,671)
Net income	**$ 459,309**	**$ 60,680**	**$ 255,083**	**$ 129,742**	**$ 448,885**

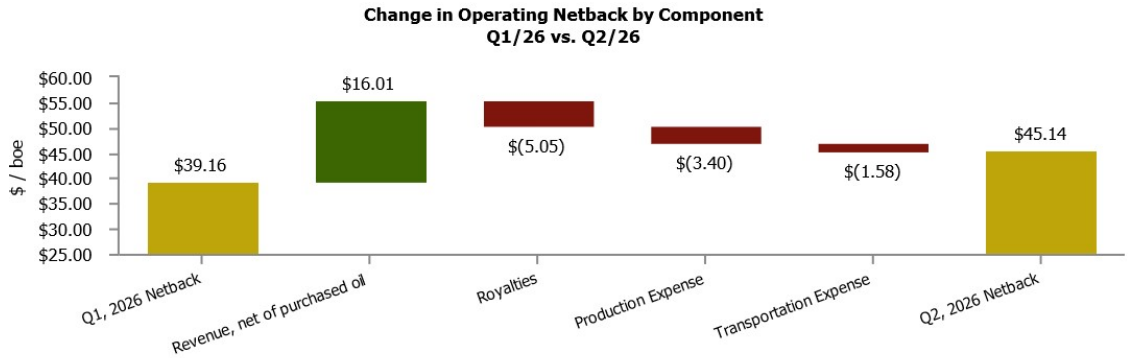
[13] Certain comparative figures have been reclassified to conform with the current period's presentation as described in Note 2 to the Consolidated Financial Statements as at December 31, 2024.

[14] Certain comparative figures have been reclassified to conform with the current period's presentation as described in Note 2 to the Consolidated Financial Statements as at December 31, 2024.



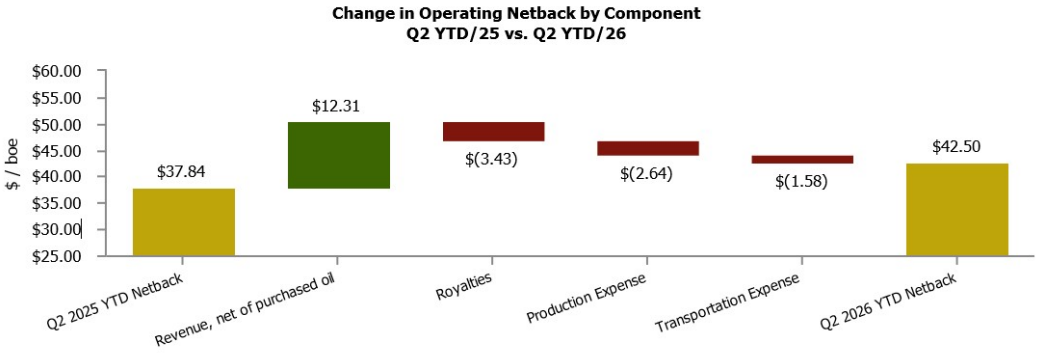
Overall, the Company's benchmark Brent crude oil price increased by $29.97/bbl, while revenue increased by $22.33/boe in the second quarter of 2026 as compared to the second quarter of 2025. The decrease in revenue relative to the Brent crude benchmark increase was primarily attributable to increased purchased crude oil for blending associated with newly acquired heavy oil volumes. Royalties increased by $6.29/boe in the quarter compared to the second quarter of 2025 primarily associated with the increase in sales price. Production expense in the quarter increased by $4.99/boe compared to the second quarter of 2025, including the impact of the Frontera Acquisition, which contributed approximately $1.88/boe to the increase. The increase primarily reflected higher fuel-powered field operating costs due to higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. These factors were partially offset by reduced well workovers and facility maintenance costs. Transportation expense in the quarter increased by $2.16/boe compared to the second quarter of 2025 primarily due to an increase in the volume of oil production transported by truck and higher gas volumes transported.

Overall, the operating netback increased by $8.89/boe compared to a Brent benchmark crude price increase of $29.97/bbl.



In the second quarter of 2026, the Company's benchmark Brent crude oil price increased by $18.30/bbl, while revenue increased by $16.01/boe as compared to the first quarter of 2026. The decrease in revenue relative to the Brent crude benchmark increase was primarily attributable to increased purchased oil for blending associated with newly acquired heavy oil volumes, partially offset by lower location and quality differentials and decreased wellhead sales. Royalties increased by $5.05/boe primarily associated with the increase in sales price. Production expense increased by $3.40/boe, including the impact of the Frontera Acquisition, which contributed approximately $1.88/boe to the increase. The quarter-over-quarter increase primarily reflected higher fuel-powered field operating costs driven by higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. Transportation expense in the quarter increased by $1.58/boe compared to the first quarter of 2026 primarily due to an increase in the volume of oil production transported by truck and higher gas volumes transported.

Overall, the operating netback increased by $5.98/boe compared to a Brent benchmark crude price increase of $18.30/bbl.



Year to date 2026, the Company's benchmark Brent crude oil price increased by $16.79/bbl, while revenue increased by $12.31/boe as compared to the comparative 2025 period. The decrease in revenue relative to the Brent crude benchmark increase was primarily attributable to increased purchased oil for blending associated with newly acquired heavy oil volumes and increased location and quality differential, partially offset by decreased wellhead sales. Royalties increased by $3.43/boe primarily associated with the increase in sales price. Production expense increased by $2.64/boe, including the impact of the Frontera Acquisition, which contributed approximately $1.18/boe to the increase. The increase primarily reflected higher fuel-powered field operating costs due to higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. These factors were partially offset by reduced well workovers and facility maintenance costs. Transportation expense in the quarter increased by $1.58/boe compared to the comparative 2025 period primarily due to an increase in the volume of oil production transported by truck and higher gas volumes transported.

Overall, the operating netback increased by $4.66/boe compared to a Brent benchmark crude price increase of $16.79/bbl.

8.4 PENSION LIABILITIES AND BENEFIT BURDEN

As at June 30, 2026, the Company has no pension liabilities.

8.5 IMPACT OF INFLATION AND EXCHANGE RATE FLUCTUATIONS ON LOANS AND INVESTMENTS

The Company's loans and investments are denominated in USD, the Company's functional currency.

8.6 LOANS OR INVESTMENTS IN FOREIGN CURRENCY HELD BY THE ISSUER

The Company's credit facility and unsecured notes are denominated in USD, the Company's functional currency.

8.7 RESTRICTIONS AGREED WITH SUBORDINATES TO TRANSFER RESOURCES TO THE COMPANY

As at June 30, 2026, the Company has no agreements with its subsidiaries that restrict the transfer of resources to the Company.

8.8 INFORMATION ON THE LEVEL OF INDEBTEDNESS AT THE END OF THE LAST THREE (3) FISCAL YEARS

The following table sets out the Company's total debt as at the end of the last three financial years and the six months ended June 30, 2026. For a discussion of the Company's current credit facility and outstanding unsecured notes, see section 7.17 – Loans or Contingencies Representing 5% or More of the Total Liabilities of the Consolidated Financial Statements of the Last Fiscal Year.

(thousands of USD)	Six months ended June 30, 2026	December 31, 2025	December 31, 2024	December 31, 2023
Total debt	$792,265	$33,000	$60,000	$90,000

8.9 INFORMATION ON TAX CREDITS OR DEBTS THAT ARE MAINTAINED IN THE LAST TAX YEAR

The Company has tax balances in favour mainly related to income tax, as well as other tax liabilities and withholding tax balances originated in the ordinary course of business.

8.10 INFORMATION RELATING TO CAPITAL INVESTMENTS THAT WERE COMMITTED AT THE END OF THE LAST FINANCIAL YEAR AND THE LAST REPORTED QUARTER

During the six months ended June 30, 2026, the Company incurred $224.7 million of capital expenditures with 97% spent on drilling, completion, well equipment and facilities in Colombia. During the six months ended June 30, 2025, the Company incurred $145.7 million of capital expenditures with 93% spent on drilling, completion, well equipment and facilities in Colombia. During the second quarter of 2026 the Company incurred $133.7 million of capital expenditures with 95% spent on drilling, completion, well equipment and facilities in Colombia. During the second quarter of 2025, the Company incurred $88.7 million of capital expenditures with 89% spent on drilling, completion, well equipment and facilities in Colombia. During the six months ended June 30, 2026, the Company's capital expenditures of $224.7 million were self-funded from funds flow provided by operations of $245.8 million.

During the year ended December 31, 2025, the Company incurred $310.3 million of capital expenditures with 92% spent on drilling, completion, well equipment and facilities in Colombia. During the year ended December 31, 2024, the Company incurred $347.7 million of capital expenditures with 95% spent on drilling, completion, well equipment and facilities in Colombia. During the year ended December 31, 2025, the Company's capital expenditures of $310.3 million were self-funded from funds flow provided by operations of $455.0 million.

8.11 SELECT RESULTS OF THE BALANCE SHEET

The following table sets out selected assets and liabilities from the Company's consolidated balance sheets as at the respective dates indicated. Refer also to the complete balance sheets as at June 30, 2026 and December 31, 2025, which are included in the financial statements attached as Exhibit 7.

USD thousands	December 31, 2023	December 31, 2024	December 31, 2025	June 30, 2025	June 30, 2026
ASSETS					
Cash and cash equivalents	$ 140,352	$ 98,022	$ 58,328	$ 98,825	$ 163,286
Restricted cash and cash equivalents	-	$ 581	$ 5,424	$ 597	$ 6,120
Accounts receivable	$ 118,567	$ 82,686	$ 78,329	$ 64,774	$ 151,485
Current assets	**$ 337,175**	**$ 245,943**	**$ 273,994**	**$ 239,485**	**$ 602,247**
Exploration and evaluation assets	$ 211,590	$ 116,928	$ 161,125	$ 172,417	$ 260,751
Property, plant and equipment	$ 1,338,175	$ 1,419,301	$ 1,500,213	$ 1,428,155	$ 2,595,243
Long-term inventory	$ 204,701	$ 199,474	$ 175,426	$ 191,159	$ 167,366
Deferred tax asset	$ 246,678	$ 88,475	$ 142,253	$ 102,393	$ 486,039
Goodwill	$ 73,452	$ 73,452	$ 73,452	$ 73,452	$ 73,452
Total assets	**$ 2,415,327**	**$ 2,155,062**	**$ 2,341,092**	**$ 2,223,178**	**$ 4,235,530**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable and accrued liabilities	$ 252,148	$ 170,731	$ 235,809	$ 208,355	$ 608,873
Debt	$ 90,000	$ 60,000	$ 33,000	$ 18,000	$ 792,265
Long-term lease obligations	$ 5,736	$ 4,622	$ 7,814	$ 4,534	$ 17,728
Decommissioning and environmental liabilities	$ 95,732	$ 77,675	$ 89,165	$ 83,275	$ 341,563
Total liabilities	**$ 459,900**	**$ 323,741**	**$ 388,159**	**$ 326,943**	**$ 1,883,806**
Share capital	$ 660,817	$ 632,899	$ 621,062	$ 627,166	$ 624,657
Contributed surplus	$ 19,248	$ 20,024	$ 20,738	$ 20,386	$ 20,469
Retained earnings	$ 1,275,362	$ 1,178,398	$ 1,311,133	$ 1,248,683	$ 1,706,598
Shareholders' equity	**$ 1,955,427**	**$ 1,831,321**	**$ 1,952,933**	**$ 1,896,235**	**$ 2,351,724**

On June 1, 2026, the Company successfully closed its previously announced acquisition of all the Colombian exploration and production assets of Frontera, becoming Colombia's largest independent oil and gas producer. The cash consideration was funded through the issuance of $500 million aggregate principal amount of 8.5% senior unsecured notes due 2031.

As a result of the Frontera Acquisition, the Company recognized a bargain purchase gain of $302.5 million, representing the excess of the fair value of the identifiable net assets acquired ($798.7 million) over the consideration transferred ($496.2 million, consisting of $483.7 million in cash paid at closing and $12.5 million corresponding to the fair value of the contingent consideration). This gain arose mainly from the recognition of a deferred tax asset of $302.5 million at the acquisition date: under IFRS 3, deferred tax assets are recorded at undiscounted amounts based on the temporary differences existing at the acquisition date, and not at fair value. Since the tax basis of the acquired assets is denominated in Colombian pesos, the appreciation of the COP between the negotiation of the purchase and the closing date significantly increased the U.S. dollar equivalent value of such tax bases, and the Company therefore estimated that the deferred tax asset contributed to a gain approximately equivalent to its amount.

As at June 30, 2026, the Company had a working capital deficit of $83.2 million compared with a working capital surplus of $28 million at December 31, 2025. The decrease was primarily attributable to the Frontera Acquisition and the related assumption of current liabilities, partially offset by higher unrestricted cash balances.

As at June 30, 2026, Parex held $163.3 million of unrestricted cash compared to $58.3 million at December 31, 2025.

On March 14, 2025, Parex, through a foreign subsidiary, acquired an additional 25% working interest in the Azogue field in the LLA-32 block and 12.5% working interest in the remainder of the LLA-32 block resulting in 100% working interest in the block for the Company. The Company paid total net consideration of $16.0 million.

The Company has long-lead material and equipment inventory such as drill casing, natural gas compressors, and other major equipment. With, at times, strong demand for material and equipment used in oil and gas operations, periodically the Company secures material and equipment ahead of its upcoming capital programs. The Company plans on deploying this long-lead inventory over the coming years.

In both 2025 and 2024, the Company completed impairment reviews of its long-term inventory. During 2025, it was determined that the carrying amount of certain long-term inventory assets was lower than the recoverable amount, and an impairment of $6.5 million (three months ended December 31, 2024: $10 million) was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2025. During 2024, it was determined that the carrying amount of certain long-term inventory assets was lower than the recoverable amount and an impairment of $10 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2024.

In both 2025 and 2024, the Company completed impairment reviews of its exploration and evaluation assets. During 2025, it was determined that the carrying amount of certain exploration and evaluation assets would not be recovered, primarily in connection with the LLA-94 block, due to costs associated with exploration wells that yielded uneconomic results and following relinquishment of the block. The impairment was determined to be $11.1 million, as recorded in the consolidated statements of comprehensive income for the year ended December 31, 2025.

During 2024, it was determined that the carrying amount of certain exploration and evaluation assets would not be recovered, primarily in connection with the LLA-122 block, due to costs associated with an exploration well that produced technically unfeasible results at an acceptable risk tolerance. The impairment review compared the carrying value of the assets with fair value less costs of disposal to determine the recoverable amount, which was determined to be $0 for the LLA-122 block assets. The impairment was determined to be $49.4 million and $54.1 million for the three months and year ended December 31, 2024, respectively, as recorded in the consolidated statements of comprehensive income for the year ended December 31, 2024.

The carrying amounts of the Company's property, plant and equipment assets are reviewed at each reporting date to determine whether there is any indication of impairment. At December 31, 2025, there were no indicators of property, plant and equipment impairment noted or indicators requiring a reversal of previously recorded impairments.

The deferred tax asset increased from $142.3 million at December 31, 2025 to $486.0 million at June 30, 2026, mainly due to the $302.5 million deferred tax asset recognized in the purchase price allocation of the Frontera Acquisition, which gave rise to the bargain purchase gain described above. Separately, the deferred tax recovery recognized in profit or loss of $59.5 million and $41.3 million for the three and six months ended June 30, 2026, respectively, was primarily due to higher tax values than book values for property, plant and equipment assets and tax loss carry-forwards associated with the Frontera Acquisition. The appreciation of COP also contributed to the increase in the deferred tax recovery.

For the year ended December 31, 2024, a revision of the estimation of the total proved and probable reserves in the Aguas Blancas CGU and the Boranda/Fortuna CGU, both in the Magdalena Basin, evidenced a decline as compared to the prior year estimation. Management considered this to be an indicator of impairment and carried out an impairment review of these CGUs. The Company determined that the carrying amount of Aguas Blancas CGU and the Boranda/Fortuna CGU exceeded their recoverable

amounts and an impairment of $78.4 million was recorded in the consolidated statements of comprehensive income for the three months and year ended December 31, 2024. There are no exploration and evaluation assets associated with these CGUs.

At December 31, 2024, the recoverable amount of the Aguas Blancas CGU was estimated to be $20.9 million, and the recoverable amount of the Boranda/Fortuna CGU was estimated to be $3.5 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment. The fair value as determined was consistent with the Company's independent qualified reserve evaluators reserve estimate at December 31, 2024. The recoverable amount was determined using estimated fair value less costs of disposal.

9. FINANCIAL STATEMENTS

9.1 FINANCIAL INDICATORS

The following table sets out the principal financial figures and key financial indicators from the Company's consolidated balance sheets and consolidated statements of comprehensive income as at the respective dates indicated. The indicators are presented with commentary and compared with the preceding fiscal years, in accordance with applicable regulations. Refer also to the financial statements for the periods ended June 30, 2026 and December 31, 2025, which are attached as Exhibit 7.

As at December 31 – USD thousands	**2023**	**2024**	**2025**	**Jun-25**	**Jun-26**
Total debt	$ 90,000	$ 60,000	$ 33,000	$ 18,000	$ 792,265
Total liabilities	$ 459,900	$ 323,741	$ 388,159	$ 326,943	$ 1,883,806
Total assets	$ 2,415,327	$ 2,155,062	$ 2,341,092	$ 2,223,178	$ 4,235,530
Shareholders' equity	$ 1,955,427	$ 1,831,321	$ 1,952,933	$ 1,896,235	$ 2,351,724
Net income for the year / period	$ 459,309	$ 60,680	$ 255,083	$ 129,742	$ 448,885
EBITDA	$ 650,829	$ 545,362	$ 481,444	$ 263,032	$ 583,381
Total assets / Total liabilities	5.25x	6.66x	6.03x	6.80x	2.25x
Total liabilities / (Total liabilities + Shareholders' equity)	19.04%	15.02%	16.58%	14.71%	44.48%
Total debt /EBITDA	0.14x	0.11x	0.07x	0.07x	1.36x
Leverage (Total liabilities / Shareholders' equity)	0.24x	0.18x	0.20x	0.17x	0.80x
ROE (Net income / Shareholders' equity)	23.49%	3.31%	13.06%	6.84%	19.09%
ROA (Net income / Total assets)	19.02%	2.82%	10.90%	5.84%	10.60%

Note: The EBITDA amounts for June 2025 and June 2026 correspond to the six months ended June 30 of the respective year. The Total debt / EBITDA ratio is calculated using the cumulative EBITDA for the period, without annualizing.

With respect to the financial indicators presented, the following comments are noteworthy: (i) the significant increase in leverage indicators as at June 2026 (leverage of 0.80x compared to 0.17x in June 2025, and a capital structure ratio of 44.48% compared to 14.71%) reflects the impact of the Frontera Acquisition and the assumption of the 2028 Unsecured Notes and issuance of the 2031 Unsecured Notes; (ii) return on equity (ROE) recovered to 13.06% in 2025 after an atypically low 2024 (3.31%), which was affected by the impairment recorded on property, plant and equipment, exploration and evaluation assets and long-term inventory, in addition to a significant deferred income tax expense; (iii) the total debt/EBITDA ratio remained at conservative levels during the 2023-2025 period (between 0.07x and 0.14x), increasing to 1.36x as at June 2026 as a result of the inorganic growth strategy; and (iv) the profitability indicators of return on equity (ROE) and return on assets (ROA) are for the half-year periods (June 2025 and June 2026) and are therefore not directly comparable with the annual indicators.

9.2 FINANCIAL INFORMATION FORMATS

As a foreign issuer incorporated under the laws of the Province of Alberta, Canada, Parex is not subject, in the same manner as Colombian issuers, to the requirements concerning the preparation and certification of separate financial statements pursuant to Law 222 of 1995 and Law 964 of 2005, nor to the requirement that such financial statements be accompanied by the opinion of a Colombian statutory auditor (revisor fiscal).

For purposes of this Prospectus, the Issuer's financial information consists of its consolidated financial statements prepared in accordance with IFRS and in compliance with the requirements applicable to the Issuer in Canada.

Accordingly, this Prospectus incorporates by reference Parex's audited consolidated financial statements for the fiscal years ended December 31, 2025, 2024 and 2023, together with the related notes thereto and the independent auditor's reports, as well as the interim consolidated financial statements for the period ended June 30, 2026, as applicable.

The foregoing financial information is included as an appendix to this Prospectus and is accompanied by the corresponding Spanish translation.

9.3 ISSUER'S COMPARATIVE FINANCIAL STATEMENTS

The following financial information of the Issuer is attached to this Prospectus:

- The original English-language consolidated financial statements as at December 31, 2023 are attached as Exhibit 7-A.

- The original English-language consolidated financial statements as at December 31, 2024 are attached as Exhibit 7-C.

- The original English-language consolidated financial statements as at December 31, 2025 are attached as Exhibit 7-E.

- The officially translated Spanish-language consolidated financial statements as at December 31, 2023 are attached as Exhibit 7-B.

- The officially translated Spanish-language consolidated financial statements as at December 31, 2024 are attached as Exhibit 7-D.

- The officially translated Spanish-language consolidated financial statements as at December 31, 2025 are attached as Exhibit 7-F.

- The original English-language condensed interim consolidated financial statements as at June 30, 2026 are attached as Exhibit 7-G.

- The officially translated Spanish-language condensed interim consolidated financial statements as at June 30, 2026 are attached as Exhibit 7-H.

Listing of Shares on the BVC

Structuring Agent in Colombia

PROSPECTO PRELIMINAR DE INFORMACIÓN

CERTIFICACIÓN DEL REPRESENTANTE LEGAL Y VICEPRESIDENTE FINANCIERO DEL EMISOR

Los suscritos Representante Legal y Vicepresidente Financiero de Parex Resources Inc. (el "Emisor"), cada uno dentro de nuestras respectivas calidades como funcionarios del emisor y según nuestro leal saber y entender, tras haber realizado una indagación razonable, certificamos que hemos empleado una debida diligencia razonable en la verificación del Prospecto de Información (el "Prospecto"). Con base en dicha revisión, certificamos que, a la fecha del presente documento, el Prospecto no contiene ninguna declaración falsa sobre un hecho material y no omite declarar ningún hecho material que deba ser declarado o que sea necesario para que una declaración no resulte engañosa a la luz de las circunstancias en las que fue realizada.

Igualmente certificamos que, según nuestro leal saber y entender, las cifras financieras contenidas en este Prospecto han sido preparadas de conformidad con las normas contables aplicables y han sido reproducidas fielmente de los libros y registros del Emisor.

La presente se expide en Calgary, Canadá a los 20 días del mes de agosto de 2026.

Signatures contained in the original document have been redacted.

Imad Mohsen
Número de identificación[1]: NS5CDLJ23
Representante Legal
Parex Resources Inc.

Cameron Grainger
Número de identificación[1]: P354348LS
Vicepresidente Financiero
Parex Resources Inc.

[1] Dado que el suscriptor es una persona extranjera, su identidad se acredita mediante el número de pasaporte indicado, utilizado para efectos de identificación en la presente certificación.

External Auditor's Certificate	Certificación del Auditor Externo
November 10, 2026	10 de noviembre de 2026
Ladies and Gentlemen	Señoras y señores
SUPERINTENDENCIA FINANCIERA DE COLOMBIA	SUPERINTENDENCIA FINANCIERA DE COLOMBIA
Bogota D.C.	Bogotá D.C.
Subject: Information from the Statutory Audit of PAREX RESOURCES INC., related to the Company's Financial Statements included in the information prospectus.	Asunto: Información de la Revisoría Fiscal (auditoría estatutaria) de PAREX RESOURCES INC., relacionada con los Estados Financieros de la Compañía incluidos en el prospecto de información.
Dear Sirs:	Apreciados señores:
We have previously audited PAREX RESOURCES INC.'s December 31, 2023, December 31, 2024, and December 31, 2025 consolidated financial statements, which comprise the consolidated balance sheets as at December 31, 2023, 2024, and 2025 and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information, and have rendered our reports thereon dated February 29, 2024, March 4, 2025, and March 3, 2026, respectively, and have reviewed PAREX RESOURCES INC.'s interim consolidated financial statements as at June 30, 2026 (the "financial statements").	Hemos auditado previamente los estados financieros consolidados de PAREX RESOURCES INC. al 31 de diciembre de 2023, 31 de diciembre de 2024 y 31 de diciembre de 2025, que comprenden los balances generales consolidados al 31 de diciembre de 2023, 2024 y 2025 y los estados consolidados de resultados integrales, de cambios en el patrimonio y de flujos de efectivo correspondientes a los ejercicios terminados en dichas fechas, así como las notas a los estados financieros consolidados, que incluyen información sobre las políticas contables materiales y otra información explicativa, y hemos emitido nuestros informes al respecto de fechas 29 de febrero de 2024, 4 de marzo de 2025 y 3 de marzo de 2026, respectivamente, y hemos revisado los estados financieros consolidados intermedios de PAREX RESOURCES INC. al 30 de junio de 2026 (los "estados financieros").
We conducted our audits in accordance with Canadian generally accepted auditing standards.	Realizamos nuestras auditorías de conformidad con las normas de auditoría generalmente aceptadas en Canadá.
In compliance with the provisions of Section 2.3.6.1.2.6.6, Chapter II, Title I, Part III of the Legal Basic Circular issued by the Colombian Financial Superintendency, I hereby certify that:	En cumplimiento de lo dispuesto en el numeral 2.3.6.1.2.6.6 del Capítulo II, Título I, Parte III de la Circular Básica Jurídica expedida por la Superintendencia Financiera de Colombia, por medio de la presente certifico que:
The financial information contained in the Prospectus for the common shares of PAREX RESOURCES INC. (the "Prospectus") faithfully corresponds to the information reflected in the financial statements of PAREX RESOURCES INC.	La información financiera contenida en el Prospecto de las acciones ordinarias de PAREX RESOURCES INC. (el "Prospecto") corresponde fielmente a la información reflejada en los estados financieros de PAREX RESOURCES INC.

External Auditor's Certificate	Certificación del Auditor Externo
With respect to our responsibility regarding the financial statements included in the Prospectus, we inform you that we have no reason to believe that there are any misrepresentations in the information contained therein that is derived from the financial statements on which we have reported, or that are within our knowledge as a result of our audit or review of such financial statements. This certificate is issued in compliance with the provisions of Article 2 of Law 43 of 1990. Sincerely, PricewaterhouseCoopers LLP Chartered Professional Accountants PricewaterhouseCoopers LLP Suncor Energy Centre, 111 5th Avenue South West, Suite 2900 Calgary, Alberta, Canada T2P 5L3 T.: +1403 509 7500, F.: +1403 781 1825 Fax to mail: ca_calgary_main_fax@pwc.com "PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.	En relación con nuestra responsabilidad respecto de los estados financieros incluidos en el Prospecto, les informamos que no tenemos motivos para creer que exista alguna inexactitud en la información allí contenida que se derive de los estados financieros sobre los cuales hemos emitido informe, o que sea de nuestro conocimiento como resultado de nuestra auditoría o revisión de dichos estados financieros. Esta certificación se expide en cumplimiento de lo dispuesto en el artículo 2 de la Ley 43 de 1990. Atentamente, PricewaterhouseCoopers LLP Contadores Profesionales Colegiados (Chartered Professional Accountants) PricewaterhouseCoopers LLP Suncor Energy Centre, 111 5th Avenue South West, Suite 2900 Calgary, Alberta, Canadá T2P 5L3 Tel.: +1403 509 7500, Fax: +1403 781 1825 Fax a correo: ca_calgary_main_fax@pwc.com "PwC" hace referencia a PricewaterhouseCoopers LLP, una sociedad de responsabilidad limitada (limited liability partnership) de Ontario.

CERTIFICACIÓN DEL ESTRUCTURADOR

EL SUSCRITO REPRESENTANTE LEGAL DE

BANCA DE INVERSIÓN BANCOLOMBIA S.A. CORPORACIÓN FINANCIERA

CERTIFICA:

Banca de Inversión Bancolombia S.A. Corporación Financiera, certifica que, dentro de lo que le compete en sus funciones de Estructurador, empleó la debida diligencia en la recopilación de la información durante las reuniones con las directivas de PAREX RESOURCES INC., y con base en estas, hizo la verificación del Prospecto de Información, en forma tal que certifica la veracidad del mismo y que en éste no se presentan omisiones de información que revistan materialidad y puedan afectar la decisión de los futuros inversionistas.

Banca de Inversión Bancolombia S.A. Corporación Financiera, por no estar dentro de sus funciones, no ha auditado independientemente la información suministrada por PAREX RESOURCES INC. que sirvió de base para la elaboración de este Prospecto de Información, por lo tanto, no tendrá responsabilidad alguna por cualquier afirmación o certificación (explícita o implícita) contenida en el mismo.

La presente se expide en Medellín a los 5 días de octubre 2026.

Signature contained in the original document has been redacted.

ALEJANDRO SOLARTE TENORIO
Representante Legal
Banca de Inversión Bancolombia S.A. Corporación Financiera

NORTON ROSE FULBRIGHT

Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2 Canada

F: +1 403.264.5973
nortonrosefulbright.com

memorandum

From	Katherine AE Prusinkiewicz	**Date**	August 21, 2026
Direct line	+1 403.267.8313		
Email	katherine.prusinkiewicz@nortonrosefulbright.com	**Our ref**	1001394074
To	**Superintendencia Financiera de Colombia**		

Parex Resources Inc. – Listing Application

We have acted as Canadian counsel for Parex Resources Inc. (**"Parex"**) in connection with its filing of a preliminary prospectus (the **"Prospectus"**) for the registration of the common shares in the capital of Parex (the **"Common Shares"**) in the Registro Nacional de Valores y Emisores and in the Bolsa de Valores de Colombia (the **"Listing Application"**). This memorandum is being provided to you at the request of Parex.

I. Examination of Documents

In connection with the Listing Application, we have participated in the preparation of, and have examined an executed copy of, the Prospectus. We have also examined such public records, certificates of public officials and other public documents and have made such searches and other investigations as we considered necessary for purposes of providing the statements made below. We have also examined originals or copies of the following documents and records:

(a) certificate of status dated August 19, 2026 (the **"Certificate of Status"**) issued in respect of Parex pursuant to the ABCA (as defined herein), a copy of which is attached hereto;

(b) certificate of the Corporate Secretary and Privacy Officer of Parex dated August 16, 2026 (the **"Secretary's Certificate"**), a copy of which has been delivered to you separately;

(c) the Articles and By-laws (as defined herein) as attached to the Secretary's Certificate;

(d) resolutions of the board of directors of Parex (the **"Board of Directors"**) approving and authorizing, among other things, the Listing Application, as attached to the Secretary's Certificate;

CONFIDENTIALITY NOTICE: This external memorandum, including any attachments, is confidential and may be privileged. If you are not the intended recipient please notify the sender immediately, and please delete it; you should not copy it or use it for any purpose or disclose its contents to any other person.

Norton Rose Fulbright Canada LLP is a limited liability partnership established in Canada.

Norton Rose Fulbright Canada LLP, Norton Rose Fulbright LLP and Norton Rose Fulbright US LLP are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are at nortonrosefulbright.com/legal-notices.

(e) a letter dated August 20, 2026 (the "**Transfer Agent Certificate**") from Odyssey Trust Company, in its capacity as the transfer agent and registrar of the Common Shares, a copy of which is attached hereto;

(f) a printout of an extract of the reporting issuers list (the "**Reporting Issuers List**") published by the CSA (as defined herein) on SEDAR+ and accessed on August 19, 2026 at 5:00 p.m. (Calgary time) (the "**Access Time**") as to the status of the Corporation as a reporting issuer not in default under certain requirements of applicable securities regulations; and

(g) the English version of the code of conduct of Parex, which was amended by the Board of Directors on July 29, 2025, as posted on Parex's corporate website (the "**Code of Conduct**").

We have relied exclusively upon the foregoing as to the factual matters provided for therein without any further investigation.

II. Applicable Law

The statements provided herein relate only to the laws of the Province of Alberta and the federal laws of Canada applicable in Alberta in effect on the date hereof ("**Applicable Law**"), and no statements are provided as to the laws of any other jurisdiction.

III. Assumptions

In our examination of all documents, we have assumed that:

(a) all individuals have the requisite legal capacity;

(b) all signatures are genuine;

(c) all documents submitted to us as originals are complete and authentic and all documents submitted to us as copies, including photostatic, facsimile and electronically retrieved copies, are complete and conform to the originals of such documents;

(d) all facts set forth in the official public records, indices and filing systems and all certificates and documents supplied by public officials or otherwise conveyed to us by public officials, including the Certificate of Status and Reporting Issuers List, were complete, true and accurate on the currency dates specified in them and continue to be complete, true and accurate as of the date of this memorandum as if issued on this date;

(e) all facts set forth in the Secretary's Certificate are complete, true and accurate and continue to be complete, true and accurate as of the date of this memorandum as if executed on this date.

IV. Requested Confirmations and Summaries of Applicable Canadian Legislation

Based on and subject to the foregoing and the assumptions set out herein, we provide you with the following requested information:

1. Corporate existence, power and capacity

1.1 Canada has a federal system in which powers are divided between the federal government and the provinces. Some legal matters are subject to federal jurisdiction, and some are subject to provincial jurisdiction. Business corporations (including public companies) in Canada may choose to be incorporated under and governed by federal corporate legislation – the *Canada Business Corporations Act* – or the equivalent corporate statute of a province.

1.2 Based on the Certificate of Status, Parex is a valid and subsisting corporation under the laws of the Province of Alberta.

1.3 As a corporation subsisting under the laws of Alberta, Parex is governed as to matters of corporate law by the Alberta *Business Corporations Act*, RSA 2000, c B-9 (the "**ABCA**"). In accordance with section 16 of the ABCA, Parex has the capacity and, subject to the ABCA, the rights, powers and privileges of a natural person. Parex also has the capacity to carry on its business, conduct its affairs and exercise its powers in any jurisdiction outside Alberta to the extent that the laws of that jurisdiction permit.

1.4 The constating documents of Parex consist of a Certificate of Amalgamation and Articles of Amalgamation dated March 1, 2022 (the "**Articles**") and Amended and Restated By-Law No. 1 (the "**By-laws**"). In accordance with subsection 186(g) of the ABCA, the Articles of Amalgamation are deemed to be the articles of incorporation of Parex and the Certificate of Amalgamation is deemed to be the certificate of incorporation of Parex. In accordance with subsection 102(1) of the ABCA, the By-laws regulate the business and affairs of Parex.

1.5 Parex has the corporate power and capacity to own its properties and assets, to carry on its business as it is currently being conducted, and to file the Prospectus with the Registro Nacional de Valores y Emisores and the Bolsa de Valores de Colombia in connection with the Listing Application.

2. Corporate Authorization

2.1 In accordance with subsection 101(1) of the ABCA, the directors of Parex shall manage or supervise the management of the business and affairs of Parex. In accordance with subsection 121(a) of the ABCA, subject to the Articles and By-laws and the restrictions set out in the ABCA, the directors of Parex may designate the offices of Parex, appoint as officers individuals of full capacity to fill those positions, specify their duties and delegate to them powers to manage the business and affairs of Parex. In accordance with section 3.01 of the By-laws, the Board of Directors of Parex may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. In accordance with resolutions duly adopted by the Board of Directors, any one or more directors or officers of Parex is authorized to prepare, approve, execute, file and certify, on behalf of Parex, all applications, requests, registration statements and information prospectus/documents, certifications, representations, undertakings, legal opinions, translations, regulatory notices, information requests, and other documents with Bolsa de Valores de Colombia and the Superintendencia Financiera de Colombia.

2.2 Parex has taken all necessary corporate action to authorize the execution and filing of the Prospectus in connection with the Listing Application, including the registration of the Common Shares in the Registro Nacional de Valores y Emisores and the admission of the Common Shares for trading on the Bolsa de Valores de Colombia.

2.3 The execution and filing of the Prospectus and making of the Listing Application do not violate, result in a breach of, or constitute a default under:

(a) the Articles or By-laws of Parex;

(b) any statutes or regulations of general application applicable in Alberta; or

(c) the requirements of the Toronto Stock Exchange (the "**TSX**").

3. Regulatory Approval

3.1 Securities law in Canada falls within provincial jurisdiction and is administered by provincial securities regulators (including the Alberta Securities Commission). Although Canada has neither a national securities regulator nor national securities laws, the regulatory framework has been largely harmonized across the country through the instruments and policies developed under the auspices of the Canadian Securities Administrators (the "**CSA**"), an umbrella organization of the provincial securities regulators, which itself has no regulatory authority. Among other functions, the CSA develops and publishes instruments and policies addressing specific aspects of securities regulation. A province may adopt an instrument as a rule or regulation, in which case it has the force of law in that province. When all provinces adopt an instrument, it is designated a National Instrument.

3.2 In accordance with applicable securities regulations, the Alberta Securities Commission is the principal regulator of Parex.

3.3 A corporation that has filed a final prospectus in one or more provinces of Canada is a "reporting issuer" in such province(s) and is generally subject to the securities regulations of such province(s), including the filing of timely and continuous disclosure documents with the securities regulatory authority of such province(s) through the System for Electronic Data Analysis and Retrieval + ("**SEDAR+**") maintained by the CSA at https://www.sedarplus.ca.

3.4 Based on the Reporting Issuers List, Parex is a reporting issuer in each of the provinces of Canada and is not noted as being in default or subject to an active cease trade order on the Reporting Issuers List.

3.5 No authorization, consent or approval of, or filing, registration or recording with, any governmental body having jurisdiction in Alberta or any securities regulatory authority in Canada or the TSX is required in connection with the Listing Application, other than the filing on SEDAR+ with the securities regulators in each of the provinces of Canada of any material information in respect of Parex that has been disclosed in the Prospectus but has not been generally disclosed in the Canadian market, such filing to be made concurrently with, or as soon as practicable following, the Prospectus being made publicly available in Colombia.

4. Share Capital

4.1 In accordance with section 26 of the ABCA, shares of corporations existing under the laws of the Province of Alberta must be in registered form rather than bearer form and are issued without nominal or par value. If a corporation has only one class of shares (as is the case with Parex), the rights of the holders of those shares are equal in all respects and include the following rights: (a) to vote at any meeting of shareholders of the corporation, (b) to receive any dividend declared by the corporation, and (c) to receive the remaining property of the corporation on dissolution.

4.2 In accordance with its Articles, the authorized share capital of Parex consists of an unlimited number of Common Shares, of which, based on the Transfer Agent Certificate, 96,180,254 Common Shares were issued and outstanding as of the close of business on August 19, 2026.

4.3 In accordance with subsections 27(2) and (3) of the ABCA, shares of corporations existing under the laws of the Province of Alberta may not be issued until the consideration for the shares is fully paid, and shares are non-assessable and the holders are not liable to the corporation or to its creditors in respect of those shares.

5. Dividends

5.1 Section 43 of the ABCA provides that a corporation may not declare or pay a dividend if there are reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due, or that the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

5.2 Section 44 of the ABCA provides that a corporation may pay a dividend by issuing fully paid shares of the corporation and, subject to section 43, it may pay a dividend in money or property. Additionally, if a corporation's shares are issued in payment of a dividend, the directors may add all or part of the value of those shares to the stated capital account maintained or to be maintained for the shares of the class or series issued in payment of the dividend.

5.3 Pursuant to section 11.01 of the By-laws, the Board of Directors of Parex may from time to time declare dividends payable to the shareholders according to their respective rights and interests in Parex. Dividends may be paid in money or property or by issuing fully-paid Common Shares.

5.4 Section 11.02 of the By-laws provides that a dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and shall be mailed by prepaid ordinary mail to such registered holder at his or her address recorded in Parex's securities register or such address as such holder otherwise directs. In the case of joint holders, the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which Parex is required to and does withhold.

5.5 Pursuant to section 11.03 of the By-laws, in the event the person to whom the dividend cheque is mailed as indicated does not receive it, Parex will issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and

evidence of non-receipt and of title as the Board of Directors may from time to time prescribe, whether generally or in any particular case.

5.6 Section 11.04 of the By-laws provides that no dividend shall bear interest against Parex. Any dividend unclaimed after a period of six years from the date on which it was declared to be payable shall be forfeited and shall revert to Parex.

5.7 Section 11.05 of the By-laws provides that the Board of Directors may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend, a record date for the determination of the persons entitled to receive payment of such dividend, provided that, unless waived as provided for in the ABCA, notice of any such record date is given to registered shareholders of Parex not less than seven days before such record date in the manner provided in the ABCA and by written notice to the TSX. Where no record date is fixed in advance, the record date for the determination of the persons entitled to receive payment of any dividend shall be at the close of business on the day on which the resolution relating to such dividend is passed by the Board of Directors.

5.8 Pursuant to section 4.8 of the TSX Company Manual, an issuer that declares a dividend must notify the TSX at least five trading days prior to the dividend record date. In addition, issuers are required to evaluate the necessity of issuing a news release upon declaring a dividend.

6. Other Matters

External Auditor

6.1 In Canada, there is no such role as a "revisor fiscal", which we understand to mean "statutory auditor" under Colombian law. However, corporate and securities legislation requires the shareholders of reporting issuers to appoint an independent external auditor at each annual meeting of shareholders. Pursuant to subsection 161(1) of the ABCA, a person is disqualified from being an auditor of a corporation if the person is not independent of the corporation and its affiliates and the directors and officers of the corporation and its affiliates. Pursuant to subsection 168(1) of the ABCA, the auditor of a corporation is entitled to receive notice of every meeting of shareholders and, at the expense of the corporation, to attend and be heard at every meeting on matters relating to the auditor's duties as auditor.

6.2 Pursuant to National Instrument 51-102, which applies to reporting issuers, including Parex, the annual financial statements of a corporation must be audited and such audited financial statements must be approved by the corporation's board of directors, filed with the securities regulatory authority in each jurisdiction in which the corporation is a reporting issuer and delivered to all shareholders or to those who have requested a copy.

6.3 In accordance with National Instrument 52-108, a person or company that prepares an auditor's report with respect to the financial statements of a reporting issuer must be, as of the date of the auditor's report, a public accounting firm that has entered into a written agreement with the Canadian Public Accountability Board (**"CPAB"**) in connection with CPAB's program of practice inspections and the establishment of practice requirements.

Change of Control

6.4 Pursuant to National Instrument 62-104, an offer to acquire outstanding shares of a corporation, where the number of shares subject to the offer, together with the offeror's existing shares, constitute in the aggregate 20% or more of the outstanding shares of that corporation,

constitutes a "take-over bid". Unless a statutory exemption applies, National Instrument 62-104 requires the offeror to make a formal bid to all holders of the securities subject to the bid that are within the local jurisdiction.

6.5 In addition, Parex has in place a shareholder protection rights plan (the "**Rights Plan**"), which is subject to reapproval by the shareholders of Parex every three years. The Rights Plan encourages a potential offeror who makes a take-over bid to proceed either by way of a "Permitted Bid", which generally requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board of Directors. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board of Directors, the Rights Plan provides that holders of Common Shares, other than the acquirer, will be able to purchase additional Common Shares at a significant discount to market, thus exposing the acquirer to substantial dilution of the common shares of Parex that the acquirer holds at such time.

Code of Conduct

6.6 Corporations subsisting under the laws of the Province of Alberta are not required to have a code of conduct. However, Parex has voluntarily adopted the Code of Conduct.

6.7 The Code of Conduct establishes the minimum ethical and governance standards applicable to all directors, officers, employees, contractors and consultants of Parex and its direct and indirect subsidiaries. It requires all such persons to conduct all business activity in accordance with both the letter and spirit of applicable law and corporate policy, guided by the values of integrity and transparency, legal compliance and accountability, ethical commitment, and respect. The Code emphasizes the importance of accurate and timely public disclosure, responsible corporate citizenship, a respectful workplace, environmental and social responsibility, and protection of shareholder and stakeholder trust. Governance oversight is assigned principally to the Board of Director's Corporate Governance and Nominating Committee, the Corporate Ethics Committee in Canada, the Compliance Officer in Colombia and Colombia's Country Manager. Any waivers for directors or executive officers may be granted only by the Board of Directors or a committee of the Board and may require public disclosure.

6.8 Key obligations include identifying and timely disclosing actual, potential or apparent conflicts of interest; safeguarding confidential information, personal data, corporate opportunities, and company assets; complying with insider-trading restrictions; and maintaining accurate books, records, disclosures, and internal controls. The Code also imposes detailed expectations regarding gifts and entertainment, anti-bribery and anti-fraud compliance, third-party due diligence, fair competition and procurement, political activity and lobbying, workplace health and safety, human rights, and freedom from discrimination and harassment. Recipients and stakeholders are expected to seek guidance and report suspected misconduct through designated management, compliance, Board, or hotline channels; reports may be anonymous, retaliation is prohibited, and complaints may be investigated. Compliance is individually required and formally acknowledged, with violations – including failure to report or cooperate in an investigation –potentially resulting in discipline, termination for cause, resignation, or legal prosecution.

V. Reliance Limitations

This memorandum is solely for the benefit of the person to whom it is addressed and not for the benefit of any other person. It is rendered solely in connection with the Listing Application. It may not be used or relied upon by any such addressee for any other purpose or relied upon by any other person for any purpose whatsoever without our prior written consent.

This memorandum is given as of the date hereof and we disclaim any obligation or undertaking to advise you of a change in law or fact affecting or bearing upon the statements rendered herein occurring after the date hereof which may come or be brought to our attention.

Yours very truly,

NORTON ROSE FULBRIGHT CANADA LLP

By: Signature contained in the original document has been redacted.
Katherine Prusinkiewicz
Partner

Executed before me at the
City of Calgary in the Province of Alberta,
this 21st day of August, 2026

Signature contained in the original document has been redacted.

Justin E. Ferrara
A Notary Public in and for Alberta

PAREX RESOURCES INC.

SECRETARY'S CERTIFICATE

In connection with the anticipated filing by Parex Resources Inc. (the "**Corporation**") of a prospectus for the registration of common shares of the Corporation in the Registro Nacional de Valores y Emisores and in the Bolsa de Valores de Colombia (the "**Prospectus**") in support of its application to list the common shares of the Corporation on the Bolsa de Valores de Colombia (the "**Listing Application**"), I, Candace Herman, in my capacity as Corporate Secretary and Privacy Officer of the Corporation hereby certify, in my capacity as an officer duly authorized on behalf of the Corporation and not in my personal capacity and without any personal liability, that:

(1) Attached hereto as Exhibit A is a true, correct and complete copy of the Certificate and Articles of Amalgamation of the Corporation (the "**Articles**"), unamended as of the date hereof, which are in full force and effect on the date hereof and which were in effect on the date that the Resolutions (as defined herein) were adopted. As of the date hereof, the Articles have not been amended, modified or revoked and no acts or proceedings have been taken or are pending to amend, repeal, supplement, surrender or cancel the Articles.

(2) Attached hereto as Exhibit B is a true, correct and complete copy of the Amended and Restated By-law No. 1 of the Corporation (the "**By-laws**"), unamended as of the date hereof, which is in full force and effect on the date hereof and which was in effect on the date that the Resolutions were adopted. As of the date hereof, the By-laws have not been amended, modified or revoked and no acts or proceedings have been taken or are pending to amend, repeal, supplement, surrender or cancel the By-laws.

(3) Attached hereto as Exhibit C is a true, correct and complete copy of a Certificate of Status issued by the Government of Alberta on August 14, 2026 (the "**Certificate of Status**") certifying that, as of August 14, 2026, the Corporation is a valid and subsisting corporation.

(4) Attached hereto as Exhibit D is a true, correct and complete copy of the resolutions duly adopted by the Board of Directors of the Corporation (the "**Board**") approving and authorizing, among other things, the Listing Application (the "**Resolutions**"). The Resolutions constitute all resolutions and actions of the Board or any committee constituted thereby with respect to the Listing Application, have not been amended, modified, annulled or revoked, and are in full force and effect on the date hereof.

(5) Each of the persons listed on Exhibit E hereto is a duly elected officer of the Corporation and: (a) such persons listed in Part I of Exhibit E are authorized to execute the Prospectus and any other document, certificate, or instrument for and on behalf of the Corporation in connection with the Listing Application and (b) such person listed in Part II of Exhibit E is authorized to execute confirmatory certificates, including this Secretary's Certificate, for and on behalf of the Corporation.

IN WITNESS WHEREOF, I have executed this Secretary's Certificate as of August 16, 2026.

By: Signature contained in the original document has been redacted.
Name: Candace Herman
Title: Corporate Secretary and Privacy Officer

Declared before me at the
City of Calgary in the Province of Alberta,
this 16th day of August 2026

Signature contained in the original document has been redacted.

Katherine Prusinkiewicz
A Notary Public in and for Alberta

Exhibit A

Certificate and Articles of Amalgamation

(see attached)

CORPORATE ACCESS NUMBER: 2024122018

Government of Alberta

BUSINESS CORPORATIONS ACT

CERTIFICATE

OF

AMALGAMATION

PAREX RESOURCES INC.
IS THE RESULT OF AN AMALGAMATION FILED ON 2022/03/01.

REGISTRAR OF CORPORATIONS

ARTICLES OF AMALGAMATION

Business Corporations Act
(Alberta)
Section 185

1. Name of Amalgamated Corporation:	
Parex Resources Inc.	2024122018

2. **The classes of shares, and any maximum number of shares that the Corporation is authorized to issue:**

See Schedule "A" attached hereto

3. **Restriction on share transfers, if any:**

None

4. **Number, or minimum and maximum number of directors:**

Minimum one (1); Maximum of eleven (11)

5. **If the corporation is restricted FROM carrying on a certain business or restricted TO carrying on a certain business, specify the restriction(s):**

None

6. **Other Provisions, if any:**

See Schedule "B" attached hereto

7. Name of Amalgamating Corporations:	Corporate Access Number:
Parex Resources Inc.	2019415153
Parex Resources Holdings Ltd.	2016309870

Signature contained in the original document has been redacted.

Kenneth G. Pinsky	
Name of Person Authorizing (please print)	Signature
Chief Financial Officer and Corporate Secretary	March 1, 2022
Title (please print)	Date

This information is being collected for purposes of corporate registry records in accordance with the Business Corporations Act. Questions about the collection of this information can be directed to the Freedom of Information and Protection of Privacy Co-ordinator for Alberta Registries, Research and Program Support, 3rd Floor, Commerce Place, 10155 – 102 Street, Edmonton, Alberta T5J 4L4, (780) 422-7330.

BURNET, DUCKWORTH & PALMER LLP
03/01/2022
FILED: EP

11392554.1

SCHEDULE "A"

Unlimited number of common shares without nominal or par value to which shares shall be attached the following rights (i) to vote at any meeting of shareholders of the Corporation; (ii) to receive any dividend declared by the Corporation; and (iii) to receive the remaining property of the Corporation upon dissolution.

SCHEDULE "B"

a. The directors of the Corporation may, without authorization of the shareholders:

   i. borrow money on the credit of the Corporation;

   ii. issue, reissue, sell or pledge debt obligations of the Corporation;

   iii. subject to the Business Corporations Act of Alberta, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person, and;

   iv. mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

b. The directors may, by resolution, delegate the powers referred to in subsection (a) hereof to a director, a committee of directors or an officer.

c. The directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed 1/3 of the number of directors who held office at the expiration of the last annual general meeting of the Corporation.

d. Meetings of the shareholders may be held at any place within Alberta or at any of the following cities: Vancouver, British Columbia; Victoria, British Columbia; Winnipeg, Manitoba; Toronto, Ontario; Ottawa, Ontario; Montreal, Quebec; or Halifax, Nova Scotia.

Articles of Amalgamation
For
PAREX RESOURCES INC.

Share Structure:	SEE SCHEDULE "A" ATTACHED HERETO
Share Transfers Restrictions:	NONE
Number of Directors:	
Min Number of Directors:	1
Max Number of Directors:	11
Business Restricted To:	NONE
Business Restricted From:	NONE
Other Provisions:	SEE SCHEDULE "B" ATTACHED HERETO

Registration Authorized By: LINDSAY COX
SOLICITOR

SCHEDULE "A"

Unlimited number of common shares without nominal or par value to which shares shall be attached the following rights (i) to vote at any meeting of shareholders of the Corporation; (ii) to receive any dividend declared by the Corporation; and (iii) to receive the remaining property of the Corporation upon dissolution

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iii. subject to the Business Corporations Act of Alberta, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person, and;

iv. mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

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c. The directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed 1/3 of the number of directors who held office at the expiration of the last annual general meeting of the Corporation.

d. Meetings of the shareholders may be held at any place within Alberta or at any of the following cities: Vancouver, British Columbia; Victoria, British Columbia; Winnipeg, Manitoba; Toronto, Ontario; Ottawa, Ontario; Montreal, Quebec; or Halifax, Nova Scotia.

Exhibit B

Amended and Restated By-law No. 1

(see attached)

GENERAL BY-LAW

AMENDED AND RESTATED BY-LAW NO. 1

A BY-LAW RELATING GENERALLY TO THE CONDUCT OF THE AFFAIRS OF

PAREX RESOURCES INC.

(hereinafter called the "Corporation")

IT IS HEREBY ENACTED as a by-law of the Corporation as follows:

DIVISION ONE
INTERPRETATION

1.01 In the by-laws of the Corporation, unless the context otherwise specifies or requires:

a. "Act" means the *Business Corporations Act* of Alberta, as from time to time amended and every statute that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;

b. "Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada;

c. "appoint" includes "elect" and vice versa;

d. "articles" means the articles of incorporation or continuance of the Corporation, as from time to time amended or restated;

e. "board" means the board of directors of the Corporation;

f. "business day" means a day which is not a non-business day;

g. "by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

h. "meeting of shareholders" includes an annual and a special meeting of shareholders;

i. "Nominating Shareholder" has the meaning ascribed thereto in section 4.03 of this by-law;

j. "Notice Date" has the meaning ascribed thereto in section 4.03 of this by-law;

k. "non-business day" means Saturday, Sunday and any other day that is a holiday as from time to time defined in *The Interpretation Act* of Alberta;

l. "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com;

m. "Regulations" means the regulations under the Act as published or from time to time amended and every regulation that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Regulations shall be read as references to the substituted provisions therefore in the new regulations;

n. "signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by virtue of section 3.01 of this by-law or by a resolution passed pursuant thereto; and

o. "special meeting of shareholders" means a meeting of any particular class or classes of shareholders and a meeting of all shareholders entitled to vote at any annual meeting of shareholders at which special business is to be transacted.

Save as aforesaid, all terms which are contained in the by-laws of the Corporation and which are defined in the Act or the Regulations shall, unless the context otherwise specifies or requires, have the meanings given to such terms in the Act or the Regulations. Words importing the singular number include the plural and vice versa; the masculine shall include the feminine; and the word "person" shall include an individual, partnership, association, body corporate, body politic, trustee, executor, administrator and legal representative.

Headings used in the by-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

DIVISION TWO
BANKING AND SECURITIES

2.01 Banking Arrangements

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefore, shall be transacted with such banks, trust companies or other bodies corporate or organizations or any other persons as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of power as the board may from time to time prescribe or authorize.

2.02 Voting Rights in Other Bodies Corporate

The signing officers of the Corporation may execute and deliver instruments of proxy and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of such voting certificates or evidence of the right to exercise such voting

rights. In addition, the board, or failing the board, the signing officers of the Corporation, may direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

DIVISION THREE
EXECUTION OF INSTRUMENTS

3.01 Authorized Signing Officers

Unless otherwise authorized by the board, deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the president, chairman of the board, managing director, any vice-president, any director, secretary, treasurer, any assistant secretary or any assistant treasurer or any other officer created by by-law or by the board. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same, but no instrument is invalid merely because the corporate seal is not affixed thereto.

3.02 Cheques, Drafts and Notes

All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or person or persons, whether or not officers of the Corporation, and in such manner as the board may from time to time designate by resolution.

DIVISION FOUR
DIRECTORS

4.01 Number

The board shall consist of such number of directors as is fixed by the articles, or where the articles specify a variable number, shall consist of such number of directors as is not less than the minimum nor more than the maximum number of directors provided in the articles and as shall be fixed from time to time by resolution of the shareholders.

4.02 Election and Term

Subject to the articles or a unanimous shareholder agreement, the election of directors shall take place at each annual meeting of shareholders and all of the directors then in office, unless elected for a longer period of time (not to exceed the close of the third (3rd) annual meeting of shareholders following election), shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall, subject to the articles or a unanimous shareholder agreement, be the number of directors then in office, or the number of directors whose terms of office expire at the meeting, as the case may be, except that, if cumulative voting is not required by the articles and the articles otherwise permit, the shareholders may resolve to elect some other number of directors. Where the shareholders adopt an amendment to the articles to increase the number or minimum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment. Notwithstanding the right to elect additional directors, such election must comply with the timely notice requirements set out in section 4.03. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their

successors are elected. If the articles provide for cumulative voting, each director elected by shareholders (but not directors elected or appointed by creditors or employees) ceases to hold office at the annual meeting and each shareholder entitled to vote at an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by him multiplied by the number of directors he is entitled to vote for, and he may cast all such votes in favour of one candidate or distribute them among the candidates in any manner. If he has voted for more than one candidate without specifying the distribution among such candidate, he shall be deemed to have divided his votes equally among the candidates for whom he voted.

4.03 Advance Notice Nomination of Directors

a. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors. Such nominations may be made in the following manner:

   i. by or at the direction of the board, including pursuant to a notice of meeting;

   ii. by or at the direction or request of one or more shareholders of the Corporation pursuant to a "proposal" made in accordance with section 136(1) of the Act, or a requisition of the shareholders made in accordance with section 142(1) of the Act; or

   iii. by any person (a "**Nominating Shareholder**") who: (A) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this By-Law and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and (B) complies with the notice procedures set forth below in this by-law.

b. In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with section 4.03(c) below) and in proper written form (in accordance with section 4.03(d) below) to the Chief Financial Officer of the Corporation at the principal executive offices of the Corporation.

c. To be timely, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must be made:

   i. in the case of an annual meeting of shareholders, not later than the close of business on the 30th day prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

ii. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made,

provided that, in either instance, if notice-and-access (as defined in Applicable Securities Laws) is used for delivery of proxy related materials in respect of a meeting described in paragraph i. or ii. above, and the notice date in respect of the meeting is not less than 50 days before the date of the meeting, the notice must be received not later than the close of business on the 40th day before the date of the meeting.

To the extent that the applicable annual meeting or special meeting of shareholders is adjourned or postponed, the time periods for the giving of a Nominating Shareholder's notice set forth above shall be calculated based on the new adjourned or postponed date of the annual meeting or special meeting of shareholders and not based on the original date of such meeting.

d. To be in proper written form, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must set forth:

i. as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation, business or employment of the person for the most recent five years, and the name and principal business of any company in which any such employment is carried on; (C) the citizenship of such person; (D) the number of securities of each class or series of securities in the capital of the Corporation which are owned beneficially or of record by the person or under the control or direction, directly or indirectly, of the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (E) such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected; and (F) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

ii. as to the Nominating Shareholder giving the notice: (A) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (B) the number of securities of each class or series of securities of the Corporation owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (C) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (D) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting

power of, such Nominating Shareholder with respect to securities of the Corporation; (E) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Corporation; and (F) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information and documents as may be required by the Act, Applicable Securities Laws and applicable stock exchange rules to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation.

In addition, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

e. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this section 4.03; provided, however, that nothing in this section 4.03 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the chairman. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

f. Notwithstanding any other provision of this section 4.03, notice given to the Chief Financial Officer of the Corporation pursuant to this section 4.03 may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Chief Financial Officer of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Chief Financial Officer at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

g. In addition to the provisions of this section 4.03, a Nominating Shareholder and any individual nominated by the Nominating Shareholder shall also comply with all of the applicable requirements of the Act, Applicable Securities Laws and applicable stock exchange rules regarding the matters set forth herein.

h. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this section 4.03.

4.04 Removal of Directors

Subject to the Act, the articles and section 4.03, the shareholders may by ordinary resolution passed at a special meeting remove any director from office, except a director elected by employees or creditors pursuant to the articles or a unanimous shareholder agreement, and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the board. However, if the articles provide for cumulative voting, no director shall be removed pursuant to this section where the votes cast against the resolution for his removal would, if cumulatively voted at an election of the full board, be sufficient to elect one or more directors.

4.05 Consent

A person who is elected or appointed a director is not a director unless:

a. he was present at the meeting when he was elected or appointed and did not refuse to act as a director, or

b. if he was not present at the meeting when he was elected or appointed:

i. he consented in writing to act as a director before his election or appointment or within ten (10) days after it, or

ii. he has acted as a director pursuant to the election or appointment.

4.06 Vacation of Office

A director of the Corporation ceases to hold office when:

a. he dies or resigns;

b. he is removed in accordance with section 109 of the Act; or

c. he becomes disqualified under subsection 105(1) of the Act.

4.07 Committee of Directors

The directors may appoint from among their number a managing director, who must be a resident Canadian, or a committee of directors, however designated, of which at least one-quarter of the members must be resident Canadians, and subject to section 115 of the Act may delegate to the managing director or such committee any of the powers of the directors. A committee may be comprised of one director.

4.08 Transaction of Business of Committee

Subject to the provisions of this by-law with respect to participation in a meeting, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all of the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any

place in or outside Alberta and may be called by any one member of the committee giving notice in accordance with the by-laws governing the calling of meetings of the board.

4.09 Procedure

Unless otherwise determined herein or by the board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

4.10 Remuneration and Expenses

Subject to any unanimous shareholder agreement, the directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

4.11 Vacancies

Subject to the Act, a quorum of the board may fill a vacancy among the directors, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure to elect the number or minimum number of directors required by the articles. If there is not a quorum of directors, or if there has been a failure to elect the number or minimum number of directors required by the articles, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

4.12 Action by the Board

Subject to any unanimous shareholder agreement, the board shall manage or supervise the management of the business and affairs of the Corporation. Notwithstanding a vacancy among the directors, a quorum of directors may exercise all the powers of the directors. If the Corporation has only one director, that director may constitute a meeting.

DIVISION FIVE
MEETING OF DIRECTORS

5.01 Place of Meeting

Meetings of the board may be held at any place within or outside Alberta.

5.02 Notice of Meeting

Unless the board has made regulations otherwise, meetings of the board may be summoned on twenty-four (24) hours' notice, given verbally or in writing, and whether by means of telephone or telegraph, electronic means in accordance with the provisions of the *Electronic Transactions Act*, or any other means of communication. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including any proposal to:

a. submit to the shareholders any question or matter requiring approval of the shareholders;

b. fill a vacancy among the directors or in the office of auditor;

c. appoint additional directors;

d. issue securities, except in the manner and on the terms authorized by the board;

e. declare dividends;

f. purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the board;

g. pay a commission for the sale of shares;

h. approve a management proxy circular;

i. approve any financial statements to be placed before the shareholders at an annual meeting; or

j. adopt, amend or repeal by-laws.

Provided, however, that a director may in any manner, and either before or after the meeting, waive notice of a meeting and attendance of a director at a meeting of the board shall constitute a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

For the first meeting of the board to be held immediately following an election of directors no notice of such meeting shall be necessary, and for a meeting of the board at which a director is to be appointed to fill a vacancy in the board, no notice of such meeting shall be necessary to the newly elected or appointed director or directors in order to legally constitute the meeting, provided, in each case, that a quorum of the directors is present.

5.03 Adjourned Meeting

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

5.04 Calling of the Meetings

Meetings of the board shall be held from time to time at such time and at such place as the board, the chairman of the board, the managing director, the president or any two directors may determine. Should more than one of the above-named call a meeting at or for substantially the same time, there shall be only one meeting held and such meeting shall occur at the time and place determined by, in order of priority, the board, any two directors, the chairman, or the president.

5.05 Regular Meetings

The board may, from time to time, appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, and forthwith to each director subsequently elected or appointed, but no other notice shall be

required for any such regular meeting except where the Act or this by-law requires the purpose thereof or the business to be transacted thereat to be specified.

5.06 Chairman

The chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, managing director or president. If no such officer is present, the directors present shall choose one of their number to be chairman.

5.07 Quorum

Subject to the following section 5.08, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors holding office or such greater number of directors as the board may from time to time determine.

5.08 One-Quarter Canadian Representation at Meetings

Directors shall not transact business at a meeting of directors unless at least one-quarter of the directors present are resident Canadians. Notwithstanding the foregoing, directors may transact business at a meeting of directors when less than one-quarter of the directors present are resident Canadians if:

a. a resident Canadian director who is unable to be present approves in writing or by electronic means, telephone or other communications facilities the business transacted at the meeting; and

b. the number of resident Canadian directors present at the meeting, together with any resident Canadian director who gives his approval under clause (a), totals at least one-quarter of the directors present at the meeting.

5.09 Voting

Questions arising at any meeting of the board shall be decided by a majority of votes, and in the event of any equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote.

5.10 Participation in Meeting

A director may participate in a meeting of the board or a committee of the board by electronic means, telephone, or other communication facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a director participating in such meeting by such means is deemed to be present at the meeting.

5.11 Resolution in Lieu of Meeting

Notwithstanding any of the foregoing provisions of this by-law, a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board or a committee of directors is as valid as if it had been passed at a meeting of the board or committee of directors, as the case may be. A copy of every such resolution shall be kept with the minutes of the proceedings of the

directors or committee of directors. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

5.12 Amendments to the Act

It is hereby affirmed that the intention of sections 4.07, 5.08 and 7.03, as they relate to Canadian representation, is to comply with the minimum requirements of the Act and in the event that such minimum requirements shall be amended, deleted or replaced such that no, or lesser, requirements with respect to Canadian representation are then in force, such sections shall be deemed to be correspondingly amended, deleted or replaced without any further act of the directors or shareholders of the Corporation.

DIVISION SIX
PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

6.01 Conflict of Interest

A director or officer shall not be disqualified from his office, or be required to vacate his office, by reason only that he is a party to, or is a director or officer or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation or a subsidiary thereof. Such a director or officer shall, however, disclose the nature and extent of his interest in the contract or transaction or proposed contract or transaction at the time and in the manner provided by the Act. Subject to the provisions of the Act, a director or officer shall not by reason only of his office be accountable to the Corporation or to its shareholders for any profit or gain realized from such a contract or transaction, and such contract or transaction shall not be void or voidable by reason only of the director's interest therein, provided that the required declaration and disclosure of interest is properly made, the contract or transaction is approved by the directors or shareholders, if necessary, and it was fair and reasonable to the Corporation at the time it was approved and, if required by the Act, the director refrains from voting as a director on the contract or transaction.

Even if the above conditions are not met, a director or officer acting honestly and in good faith shall not be accountable to the Corporation or to its shareholders for any profit realized from a material contract or material transaction for which disclosure is required by the Act, and such contract or transaction shall not be void or voidable by reason only of the director or officer's interest therein, provided that the material contract or material transaction was approved or confirmed by special resolution at a meeting of the shareholders, disclosure of the interest was made to the shareholders in a manner sufficient to indicate its nature before such contract or transaction was approved or confirmed, and such contract or transaction was reasonable and fair to the Corporation at the time it was approved or confirmed.

6.02 Limitation of Liability

Every director and officer of the Corporation, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer, for the time being of the Corporation, shall be liable for the acts, neglects or defaults of any other director or officer or employee or for joining in any act for conformity, or for any loss, damage or expense happening to the Corporation through the

insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss, conversion, misapplication or misappropriation of or any damage resulting for any dealings with any moneys, securities or other assets belonging to the Corporation or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the Regulations thereunder or from liability for any breach thereof. The directors, for the time being of the Corporation, shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Corporation, except such as shall have been submitted to and authorized or approved by the board.

No act or proceeding of any director or officer or the board shall be deemed invalid or ineffective by reason of the subsequent ascertainment of any irregularity in regard to such act or proceeding or the election, appointment or qualification of such director or officer or board.

6.03 Indemnity

Subject to section 124 of the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or body corporate, if:

a. he acted honestly and in good faith with a view to the best interests of the Corporation; and

b. in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing herein contained shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this section 6.03.

6.04 Insurance

The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 6.03 against any liability incurred by him:

a. in his capacity as a director or officer of the Corporation, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the Corporation; or

b. in his capacity as a director or officer of another body corporate where he acts or acted in that capacity at the Corporation's request, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the body corporate.

DIVISION SEVEN
OFFICERS

7.01 Election or Appointment

Subject to any unanimous shareholder agreement, the board may, from time to time, appoint a chairman of the board, a president, one or more vice-presidents, a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Except for a managing director and a chairman of the board who must be directors, an officer may, but need not be, a director and one person may hold more than one office.

7.02 Chairman of the Board

The chairman of the board shall, when present, preside at all meetings of the board, committees of directors and at all meetings of shareholders.

If no managing director is appointed, the board may assign to the chairman of the board any of the powers and duties that, by any provision of this by-law, are assigned to the managing director; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

7.03 Managing Director

The managing director, if any, shall be a resident Canadian and shall have, subject to the authority of the board, general supervision of the business and affairs of the Corporation; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify.

7.04 President

The president shall, subject to the authority of the board and the managing director, if any, have such powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office; provided, however, that unless he is a director he shall not preside as chairman at any meeting of the board or of a committee of directors.

7.05 Vice-President

During the absence or disability of the president, his duties shall be performed and his powers exercised by the vice-president or, if there is more than one, by the vice-president designated from time to time by the board or the president; provided, however, that a vice-president who is not a director shall not preside as chairman at any meeting of the board or of a committee of directors. A vice-president shall have such other powers and duties as the board or the president may prescribe.

7.06 Secretary

The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of directors and shall enter or cause to be entered in records kept for that purpose minutes

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of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer, if any, may specify.

7.07 Treasurer

The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions and he shall have such other powers and duties as the board or chief executive officer, if any, or the president may specify.

7.08 General Manager or Manager

If elected or appointed, the general manager shall have, subject to the authority of the board, the managing director, if any, the chief executive officer, if any, and the president, full power to manage and direct the business and affairs of the Corporation (except such matters and duties as by law must be transacted or performed by the board and/or by the shareholders) and to employ and discharge agents and employees of the Corporation and may delegate to him or them any lesser authority. A general manager or manager shall conform to all lawful orders given to him by the board and shall at all reasonable times give to the directors or any of them all information they may require regarding the affairs of the Corporation. Any agent or employee appointed by a general manager or manager shall be subject to discharge by the board.

7.09 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board, the managing director, if any, or the chief executive officer, if any, or the president may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer, if any, or the president otherwise directs.

7.10 Variation of Powers and Duties

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

7.11 Vacancies

If the office of any officer of the Corporation shall be or become vacant by reason of death, resignation, disqualification or otherwise, the board, by resolution, may appoint a person to fill such vacancy.

7.12 Remuneration and Removal

The remuneration of all officers appointed by the board shall be determined from time to time by resolution of the board. The fact that any officer or employee is a director or shareholder of the

Corporation shall not disqualify him from receiving such remuneration as may be determined. All officers shall be subject to removal by resolution of the board at any time, with or without cause, notwithstanding any agreement to the contrary, provided however that this right of removal shall not limit in any way such officer's right to damages by virtue of such agreement or any other rights resulting from such removal in law or equity.

7.13 Agents and Attorneys

The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to sub-delegate) of management, administration or otherwise as may be thought fit.

7.14 Conflict of Interest

An officer shall disclose his interest in any material contract or material transaction or proposed material contract or proposed material transaction with the Corporation in accordance with section 6.01.

7.15 Fidelity Bonds

The board may require such officers, employees and agent of the Corporation, as the board deems advisable, to furnish bonds for the faithful discharge of their powers and duties, in such forms and with such surety as the board may from time to time determine.

DIVISION EIGHT
SHAREHOLDERS' MEETINGS

8.01 Annual Meetings

Subject to the Act, the annual meeting of shareholders shall be held at such time and on such day in each year and at such place or places as the board, the chairman of the board, the managing director or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors if required by the Act or the articles, and for the transaction of such other business as may properly be brought before the meeting.

8.02 Special Meetings

The board shall have the power to call a special meeting of shareholders at any time.

8.03 Place of Meetings

Meetings of shareholders shall be held as provided for in the articles, or failing any reference in the articles, at such place in Alberta as the board may determine. Subject to the Act, if the directors or the shareholders of the Corporation call a meeting of shareholders, the directors or the shareholders, as the case may be, may determine that the meeting shall be held entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting.

8.04 Record Date for Notice

The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than fifty (50) days and not less than twenty-one (21) days, as a record date for the determination of shareholders entitled to notice of or to vote at the meeting. If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of or to vote at the meeting shall be the close of business on the date immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

8.05 Notice of Meeting

Notice of the time and place of each meeting of shareholders shall be sent not less than twenty-one (21) days and not more than fifty (50) days before the meeting to each shareholder entitled to vote at the meeting, each director and the auditor of the Corporation. Such notice may be sent by electronic means in accordance with the *Electronic Transactions Act*, or by mail addressed to, or may be delivered personally to, the shareholder, at his latest address as shown in the records of the Corporation or its transfer agent, to the director, at his latest address as shown in the records of the Corporation or in the last notice filed pursuant to section 106 or 113 of the Act, or to the auditor, at his most recent address as shown in the records of the Corporation. A notice of meeting of shareholders sent by mail to a shareholder, director or auditor in accordance with the above is deemed to be served on the day on which it was deposited in the mail. A notice of a meeting is not required to be sent to shareholders who are not registered on the records of the Corporation or its transfer agent on the record date as determined according to section 8.04 hereof. Notice of a meeting of shareholders at which special business is to be transacted shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A special meeting and an annual meeting may be convened by one and the same notice and it shall not be an objection to the notice that it only convenes the second meeting contingently on any resolution being passed by the requisite majority at the first meeting.

8.06 Right to Vote

Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in section 8.07 hereof, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name except to the extent that such person has transferred any of his shares after the record date set pursuant to section 8.04 hereof, or, if no record date is fixed, after the date on which the list referred to in section 8.07 is prepared, and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands not later than ten (10) days before the meeting that his name be included to vote the transferred shares at the meeting. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at the meeting who at the close of business on the record date, or if no record date is set, at the close of business on the date preceding the date notice is sent, is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

8.07 List of Shareholders Entitled to Notice

The Corporation shall prepare a list of shareholders entitled to receive notice of a meeting, arranged in alphabetical order, and showing the number of shares held by each shareholder in accordance with section 137 of the Act. If a record date for the meeting is fixed pursuant to section 8.04

hereof by the board, the shareholders listed shall be those registered at the close of business on the record date. If no record date is fixed by the board, the shareholders listed shall be those listed at the close of business on the last business day immediately preceding the day on which notice of a meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where its central securities register is maintained and at the place where the meeting is held.

8.08 Meetings Without Notice

A meeting of shareholders may be held without notice at any time and place permitted by the Act:

a. if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and

b. if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such meetings any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to a meeting being held at such place.

8.09 Waiver of Notice

A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of a meeting of shareholders and attendance of any such person at a meeting of shareholders shall constitute a waiver of notice of the meeting except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

8.10 Chairman, Secretary and Scrutineers

The chairman of the board or, in his absence, the president, if such an officer has been elected or appointed and is present, or otherwise a vice-president who is a shareholder of the Corporation, shall be chairman of any meeting of shareholders. If no such officer is present within fifteen (15) minutes from the time fixed for holding the meeting, or declines to be chairman of the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

8.11 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

8.12 Quorum

A quorum at any meeting of shareholders (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the Act or by the articles or by any other by-law) shall be persons present not being less than two (2) in number and holding or representing not less than twenty-five (25%) per cent of the shares entitled to be voted at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

8.13 Participation in Meeting

A shareholder or any other person entitled to attend a meeting may participate in a meeting of shareholders by electronic means, telephone or other communication facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a person participating in such a meeting by such means is deemed to be present at the meeting. Subject to the Act, any person participating in a meeting pursuant to this section and entitled to vote at the meeting may vote by electronic means, telephone or other communication facility that the Corporation has made available for that purpose.

8.14 Proxyholders and Representatives

Votes at meetings of the shareholders may be given either personally or by proxy; or, in the case of a shareholder, who is a body corporate or association, by an individual authorized by a resolution of the board or governing body of the body corporate or association to represent it at a meeting of shareholders of the Corporation, upon producing a certified copy of such resolution or otherwise establishing his authority to vote to the satisfaction of the secretary or the chairman.

A proxy shall be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and is valid only at the meeting in respect of which it is given or any adjournment of that meeting. A person appointed by proxy need not be a shareholder.

8.15 Time for Deposit of Proxies

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than forty-eight (48) hours exclusive of Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

8.16 Joint Shareholders

If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholder may, in the absence of the other or others, vote the shares; but if

two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

8.17 Votes to Govern

Except as otherwise required by the Act, all questions proposed for the consideration of shareholders at a meeting of shareholders shall be determined by a majority of the votes cast and in the event of an equality of votes at any meeting of shareholders, the chairman shall not have a second or casting vote.

8.18 Conduct of Vote

Subject to the Act, voting at a meeting of shareholders shall be by a show of hands, unless a ballot is required or demanded as hereinafter provided, and may be held, subject to the Act, entirely by electronic means, telephone or other communication facility, if the corporation makes such a communication facility available. Every person who is present or otherwise participating in the meeting pursuant to section 8.13 hereof and entitled to vote shall have one vote. Whenever a vote shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or defeated and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of shareholders upon the said question.

8.19 Ballots

On any question proposed for consideration at a meeting of shareholders, a shareholder, proxyholder or other person entitled to vote may demand and the chairman may require that a ballot be taken either before or upon the declaration of the result of any vote. If a ballot is demanded on the election of a chairman or on the question of an adjournment it shall be taken forthwith without an adjournment. A ballot demanded or required on any other question shall be taken in such manner as the chairman shall direct. A demand or requirement for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares that he is entitled to vote at the meeting upon the question, to the number of votes as provided for by the articles or, in the absence of such provision in the articles, to one vote for each share he is entitled to vote. The result of the ballot so taken shall be the decision of the shareholders upon the question. The demand or requirement for a ballot shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the ballot has been demanded or required.

8.20 Adjournment

The chairman at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the time of the adjournment. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as notice for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of more than ninety (90) day, subsection 149(1) of the Act does not apply.

8.21 Resolution in Lieu of a Meeting

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and a resolution in writing dealing with all matters required to be dealt with at a meeting of shareholders and signed by all the shareholders entitled to vote at such meeting, satisfies all the requirements of the Act relating to meetings of shareholders. A copy of every such resolution in writing shall be kept with minutes of the meetings of shareholders. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

8.22 Only One Shareholder

Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented constitutes a meeting.

DIVISION NINE
SHARES

9.01 Non-Recognition of Trusts

Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

9.02 Certificates

The shareholder is entitled at his option to a share certificate that complies with the Act or a non-transferable written acknowledgement of his right to obtain a share certificate from the Corporation in respect of the securities of the Corporation held by him. Share certificates and acknowledgements of a shareholder's right to a share certificate, respectively, shall be in such form as described by the Act and as the board shall from time to time approve. A share certificate shall be signed manually by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent or branch transfer agent of the Corporation, or by a trustee who certifies it in accordance with a trust indenture, and any additional signatures required on the share certificate may be printed or otherwise mechanically reproduced on it.

9.03 Replacement of Share Certificates

The board or any officer or agent designated by the board may in its or his discretion direct the issuance of a new share certificate or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Joint Holders

The Corporation is not required to issue more than one share certificate in respect of a share held jointly by several persons, and delivery of a certificate to one of several joint holders is

sufficient delivery to all. Any one of such holders may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such certificate.

DIVISION TEN
TRANSFER OF SECURITIES

10.01 Registration of Transfer

If a share in registered form is presented for registration of transfer, the Corporation shall register the transfer if:

a. the share is endorsed by an appropriate person, as defined in the *Securities Transfer Act* (Alberta);

b. reasonable assurance is given that the endorsement is genuine and effective;

c. the Corporation has no duty to enquire into adverse claims or has discharged any such duty;

d. any applicable law relating to the collection of taxes has been complied with;

e. the transfer is rightful or is to a bona fide purchaser; and

f. the transfer fee, if any, has been paid.

10.02 Transfer Agents and Registrar

The board may from time to time by resolution appoint or remove one or more trust companies registered under the Trust Companies Act as its agent or agents to maintain a central securities register or registers, and an agent or agents to maintain a branch securities register or registers. Agents so appointed may be designated as transfer agent or registrar according to their functions, and a person may be appointed and designated with functions as both registrar and transfer or branch transfer agent. Registration of the issuance or transfer of a security in the central securities register or in a branch securities register is complete and valid registration for all purposes.

10.03 Securities Registers

A central securities register of the Corporation shall be kept at its registered office or at any other place in Alberta designated by the board to record the shares and other securities issued by the Corporation in registered form, showing with respect to each class or series of shares and other securities:

a. the names, alphabetically arranged, and the latest known address of each person who is or has been a holder;

b. the number of shares or other securities held by each holder; and

c. the date and particulars of the issuance and transfer of each share or other security.

A branch securities register or registers may be kept either in or outside Alberta at such place or places as the board may determine. A branch securities register shall only contain particulars of

securities issued or transferred at that branch. Particulars of each issue or transfer of a security registered in a branch securities register shall also be kept in the corresponding central securities register.

10.04 Deceased Shareholders

In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

DIVISION ELEVEN
DIVIDENDS AND RIGHTS

11.01 Dividends

Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully-paid shares of the Corporation.

11.02 Dividend Cheques

A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and shall be mailed by prepaid ordinary mail to such registered holder at his address recorded in the Corporation's securities register or registers or such address as such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

11.03 Non-Receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

11.04 Unclaimed Dividends

No dividend shall bear interest against the Corporation. Any dividend unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

11.05 Record Date for Dividends and Rights

The board may fix in advance a date, preceding by not more than fifty (50) days the date for the payment of any dividend, as a record date for the determination of the persons entitled to receive payment of such dividend, provided that, unless waived as provided for in the Act, notice of any such

record date is given, not less than seven (7) days before such record date, by newspaper advertisement in the manner provided in the Act and by written notice to each stock exchange in Canada, if any, on which the Corporation's shares are listed for trading. Where no record date is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend shall be at the close of business on the day on which the resolution relating to such dividend is passed by the board.

DIVISION TWELVE
INFORMATION AVAILABLE TO SHAREHOLDERS

12.01 Confidential Information

Except as provided by the Act, no shareholders shall be entitled to obtain information respecting any details or conduct of the Corporation's business which, in the opinion of the directors, it would be inexpedient in the interests of the Corporation to communicate to the public.

12.02 Conditions of Access to Information

The directors may from time to time, subject to rights conferred by the Act, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers and accounting records of the Corporation or any of them shall be open to the inspection of shareholders and no shareholders shall have any right to inspect any document or book or register or account record of the Corporation except as conferred by statute or authorized by the board or by a resolution of the shareholders.

12.03 Registered Office and Separate Records Office

The registered office of the Corporation shall be at a place within Alberta and at such location therein as the board may from time to time determine. The records office will be at the registered office or at such location, if any, within Alberta, as the board may from time to time determine.

DIVISION THIRTEEN
NOTICES

13.01 Method of Giving Notices

A notice or document required by the Act, the Regulations, the articles or the by-laws to be sent to a shareholders or director of the Corporation may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act*, or by prepaid mail addressed to, or may be delivered personally to:

a. the shareholder at his latest address as shown in the records of the Corporation or its transfer agent; and

b. the director at his latest address as shown in the records of the Corporation or in the last notice filed under section 106 or 113.

A notice or document sent by mail in accordance with the foregoing to a shareholder or director of the Corporation is deemed to be received by him at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the shareholder or director did not receive the notice or document at the time or at all.

13.02 Notice to Joint Shareholders

If two or more persons are registered as joint holders of any share, any notice may be addressed to all of such joint holders but notice addressed to one of such persons shall be sufficient notice to all of them.

13.03 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholders from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

13.04 Non-Receipt of Notices

If a notice or document is sent to a shareholder in accordance with section 13.01 and the notice or document is returned on two (2) consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notice or documents to the shareholder until the shareholder informs the Corporation in writing of his new address; provided always, that in the event of the return of a notice of a shareholders meeting mailed to a shareholder in accordance with section 13.01 the notice shall be deemed to be received by the shareholder on the date deposited in the mail notwithstanding its return.

13.05 Omissions and Errors

Subject to the Act, the accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

13.06 Signature on Notices

Unless otherwise specifically provided, the signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

13.07 Waiver of Notice

If a notice or document is required by the Act or the Regulations, the articles, the by-laws or otherwise to be sent, the sending of the notice or document may be waived or the time for the notice or document may be waived or abridged at any time with the consent in writing of the person entitled to receive it. The consent of a person entitled to waive the requirement for the sending of a notice or document or to waive or abridge the time for the notice or the document may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act*.

DIVISION FOURTEEN
MISCELLANEOUS

14.01 Directors to Require Surrender of Share Certificates

The directors in office when a Certificate of Continuance is issued under the Act are hereby authorized to require the shareholders of the Corporation to surrender their share certificate(s), or such of their share certificates as the directors may determine, for the purpose of cancelling the share certificates and replacing them with new share certificates that comply with section 48 of the Act, in particular, replacing existing share certificate with share certificates that are not negotiable securities under the Act. The directors in office shall act by resolution under this section 14.01 and shall in their discretion decide the manner in which they shall require the surrender of existing share certificates and the time within which the shareholders must comply with the requirement and the form or forms of the share certificates to be issued in place of the existing share certificates. The directors may take such proceedings as they deem necessary to compel any shareholder to comply with a requirement to surrender his share certificate or certificates pursuant to this section. Notwithstanding any other provision of this by-law, but subject to the Act, the director may refuse to register the transfer of shares represented by a share certificate that has not been surrendered pursuant to a requirement under this section.

14.02 Financial Assistance to Shareholders, Employees and Others

The Corporation may give financial assistance by means of a loan, guarantee or otherwise to any person for any purpose in accordance with the provisions of the Act and the Regulations including, without limitation, the disclosure requirements specified therein.

14.03 Severability

The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.

14.04 Prior By-law

All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

MADE by the board the 3rd day of April, A.D. 2018.

Signature contained in the original document has been redacted.

Wayne Foo, Director

Signature contained in the original document has been redacted.

Robert Engbloom, Director

CONFIRMED by the Shareholders in accordance with the *Business Corporations Act* (Alberta), the 9th day of May, A.D. 2018.

Signature contained in the original document has been redacted.

Wayne Foo, Director

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Exhibit C

Certificate of Status

(see attached)

Government of Alberta

Corporate Access Number

2024122018

CERTIFICATE OF STATUS

Form 32

I CERTIFY THAT ACCORDING TO THE OFFICIAL RECORDS OF THE CORPORATE REGISTRY

PAREX RESOURCES INC.
FORMED BY AMALGAMATION IN ALBERTA ON 2022/03/01
IS AS OF THIS DATE A VALID AND SUBSISTING CORPORATION.

GIVEN UNDER MY SEAL OF OFFICE IN THE PROVINCE OF ALBERTA.

DATED: 2026/08/14

Exhibit D

Resolutions

"ADMISSION TO TRADING ON THE BOLSA DE VALORES DE COLOMBIA

WHEREAS Parex Resources Inc. (the "**Corporation**") is a corporation organized and existing under the laws of the Province of Alberta, Canada, pursuant to the Business Corporations Act (Alberta) (the "**ABCA**");

AND WHEREAS the Corporation's common shares (the "**Common Shares**") are currently listed for trading on the Toronto Stock Exchange (the "**TSX**");

WHEREAS the TSX constitutes, and will continue to constitute, the Corporation's principal stock exchange and home market for securities regulatory purposes;

AND WHEREAS management has presented to the Board of Directors (the "**Board**") a proposal to pursue the admission of the Common Shares to trading on the Bolsa de Valores de Colombia S.A. (the "**BVC**"), while maintaining the Corporation's listing on the TSX (the "**Colombian Trading Initiative**");

AND WHEREAS management has advised the Board that the Colombian Trading Initiative is intended to broaden access to the Common Shares for Colombian investors, enhance the Corporation's visibility in the Colombian capital markets and facilitate additional secondary-market liquidity for the Common Shares;

AND WHEREAS the Corporation, currently, does not intend to issue new Common Shares or conduct a public offering of securities in connection with the Colombian Trading Initiative, and the initiative relates exclusively to the secondary trading of outstanding Common Shares;

AND WHEREAS management has advised the Board that the Colombian Trading Initiative is intended to be implemented through the registration of the Corporation as a foreign issuer, and of the Common Shares, in the Registro Nacional de Valores y Emisores (the "**RNVE**") maintained by the Superintendencia Financiera de Colombia (the "**SFC**"), followed by the listing of the Common Shares on the BVC;

AND WHEREAS management has further advised the Board that as a foreign issuer registered in the RNVE, the Corporation would be subject to certain periodic information and relevant information disclosure obligations under Colombian law;

AND WHEREAS management has advised the Board that the custody, clearing and settlement of Common Shares traded in Colombia would be facilitated through the applicable Colombian and Canadian market infrastructures and related custody arrangements, including, as applicable, the systems administered by the BVC and the Depósito Centralizado de Valores de Colombia S.A. – Deceval ("Deceval") and their affiliates;

AND WHEREAS the Board has determined that it is in the best interests of the Corporation to pursue a listing of the Corporation's common shares on the BVC, while maintaining its listing on the TSX;

BE IT RESOLVED THAT:

1. The listing of the Corporation's common shares on the BVC is hereby authorized and approved, and the Corporation is hereby authorized to take all steps necessary to apply for, obtain, and maintain the admission of the Common Shares to trading on the BVC following registration of the Corporation and the Common Shares in the RNVE.

2. Any one or more directors or officers of the Corporation and/or proxies authorized by such officers or directors through the granting of a power of attorney is hereby authorized to prepare, approve, execute, file and certify, on behalf of the Corporation, all applications, requests, registration statements and information prospectus/documents, certifications, representations, undertakings, legal opinions, translations, regulatory notices, information requests, and other documents with the BVC, the SFC, and any other applicable regulatory or supervisory authority or market infrastructure as may be necessary or advisable to effect the listing, including registration of the Corporation and the Corporation's common shares in the RNVE.

3. Management is hereby authorized to retain such legal counsel (which may act as proxies for the Corporation in relation to the activities described herein), financial advisors, and other professional advisors in Colombia and Canada as management considers necessary or advisable to effect the listing, and to negotiate and enter into such depositary, custody, or settlement arrangements as may be required.

4. The Corporation is hereby authorized to comply with all ongoing disclosure, reporting, and regulatory requirements imposed by the SFC, the BVC, and applicable Colombian securities legislation in connection with the Colombian Listing, including the filing of periodic financial reports, material event disclosures, and any other filings required of issuers listed on the BVC, and to appoint an officer or director who will be legally responsible for such disclosures.

5. Management is hereby authorized to negotiate, execute, and deliver such depositary agreements, custody arrangements, or other agreements as may be necessary to facilitate the trading and settlement of the Corporation's common shares on the BVC, including any arrangements with Deceval S.A. or such other central securities depositary as may be required.

6. The Corporation authorizes management to pay all fees, levies, and other amounts payable to the BVC, Deceval, the SFC, and other market infrastructures in connection with the Colombian Trading Initiative and the ongoing trading of Common Shares in Colombia.

7. All actions heretofore taken by any director, officer, employee, or agent of the Corporation in connection with the listing and the matters contemplated by these resolutions are hereby ratified, confirmed, and approved in all respects."

Exhibit E

Individuals Authorized to Act on behalf of Parex Resources Inc.

Authorized Officers – Part I

Name:	Title
Imad Mohsen	President and Chief Executive Officer
Cameron Grainger	Chief Financial Officer
Eric Furlan	Chief Operating Officer

Authorized Officers – Part II

Name:	Title
Candace Herman	Corporate Secretary and Privacy Officer

PAREX RESOURCES INC.

CODE OF CONDUCT

VALUE STATEMENT

Parex Resources Inc. and its affiliates and subsidiaries (collectively, the "Corporation" or "Parex") is a sustainable oil and gas producer, responsibly developing the resources needed to fuel social and economic development. In support of our growth strategy, we are leveraging industry-proven, but new-to-Colombia technology to deliver sustainable, reliable energy to the world. We do this while targeting best-in-class shareholder returns and partnering with community stakeholders to achieve long-term local benefits. We hold ourselves accountable through leading governance and environmental standards, and we are committed to engaging local communities and building a reputation as an operator of choice for current and future projects.

PURPOSE AND SCOPE

The Corporation requires professional and ethical conduct from their respective directors, officers, employees, contractors and consultants (the "**Recipients**"). No Recipient will be expected or permitted to achieve results through violations of laws or regulations or through unscrupulous dealings. This Code of Conduct (the "**Code**") is intended to document the specific principles of conduct and ethics which will be followed by the Corporation's directors, officers, employees, contractors and consultants in their performance of their responsibilities with respect to the Corporation's business in order to maintain a culture of respect, honesty, legality, integrity and accountability within the Corporation.

All Recipients are expected to follow this Code in all aspects of business activity. In any situation where there is a question about compliance with this Code, both the letter and spirit of the Corporation's policies and/or applicable laws, guidance from the Corporate Ethics Committee, the Compliance Officer in Colombia, the Ethics and Compliance Committee in Colombia, the Disclosure Committee (as defined in the Disclosure, Confidentiality, Insider Trading, Blackout Period & Anti-Hedging Policy & Procedures) should be sought or by means of the Ethics Hotline. This Code sets forth the minimum general principles and does not supersede the specific policies and procedures that are covered in specific policy statements or the governing laws and regulations of any jurisdiction in which the Corporation carries on business.

Compliance with the Code is necessary to the success of the Corporation and is necessary to uphold the trust of shareholders in the Corporation. Violation of the Code is grounds for disciplinary action up to and including termination of employment, with cause and without notice, and possible legal prosecution. The Corporate Governance and Nominating Committee of the Board, the Corporate Ethics Committee in Canada, Compliance Officer in Colombia and Colombia´s Country Manager will oversee compliance of this Code, the Corporation´s Policies and the applicable laws and regulations.

Capitalized terms used but not defined herein shall have the respective meanings given to them in the Corporation´s Policies.

VALUES OF THE CORPORATION

The Corporation strives to increase its value to Recipients and shareholders, suppliers, clients, partners, governments, community members, interested third parties and the public ("**Stakeholders**") through its commitment to assembly of proven teams, partnering with local players, applying new technology, achieving rapid growth and low finding and development costs and profitable operations.

The Corporation endeavors to provide a positive working environment, free of discrimination and harassment, in which Recipients and Stakeholders alike are treated with dignity and respect.

The Corporation fulfills these commitments by upholding ethical conduct and by cultivating and maintaining the Corporation's reputation as a good corporate citizen. A strong foundation of solid corporate governance has guided the development of the Corporation.

The Corporation endorses the principals of transparency and responsiveness to shareholders and markets in all of our activities and at all levels of the organization. This means that all business activities and operations of the Corporation will be conducted in an ethical manner and will comply with Corporation policies, standards set forth in this Code, and applicable laws and government regulations in the jurisdictions in which they operate as well as consider local custom or tradition.

Each Recipient must uphold the following Values (as defined below):

- Integrity and Transparency: provide, or cause to be provided, full, fair, accurate, timely and understandable disclosure in reports and documents that the Corporation files with, or submits to, the applicable securities commissions and in other public communications made by the Corporation. In addition, it implies carrying out business activities in compliance with applicable laws, contracting processes, and contracts. Pursuant this principle, the Corporation does not tolerate acts of money laundering, financing of terrorism, fraud, bribery, corruption, conflicts of interest or any unethical conduct;

- Legal Compliance and Accountability: comply and take reasonable actions to encourage others within the Corporation to comply, with applicable governmental laws, rules and regulations; as well as promoting accountability for adherence to this Code.

- Ethical Commitment: Take on and promote an ethical behavior. Recipients are expected to (i) show due diligence in their actions and (ii) promptly report violations of the Code by one of the means set out in the Reporting Violations section of this Code.

CONFLICTS OF INTEREST

A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with acting in the best interests of the Corporation.

For instance, a conflict situation can arise when a service provider takes actions or has an interest that may make it difficult to perform his or her work effectively or independently from any personal interest or gain. Conflicts of interest also arise when a Recipient or a member of his or her family receives improper personal benefit as a result of his or her position in the Corporation. Loans to, or guarantees of obligations of, such persons are also likely to pose conflicts of interest, as are transactions of any kind between the Corporation and any other organization in which a member of the Corporation or member of his or her family has any

personal interest.

Activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by the Corporate Ethics Committee or the Ethics and Compliance Committee in Colombia. Full disclosure enables Recipients to resolve unclear situations and gives an opportunity to dispose of conflicting interests before any difficulties arise.

Examples of situations involving a conflict of interest include, but are not limited to the following:

- Conducting business with a firm owned, partially owned or controlled by a Recipient or a relative of such person;

- Owning a material financial interest in the Corporation's vendors, customers or competitors;

- Performing work, with or without compensation, for a competitor, governmental or regulatory entity, customer or supplier of the Corporation, or doing any work for a third-party that may adversely affect the Recipient´s performance or judgment on the job or diminish the Recipient's ability to devote the necessary time and attention to their duties;

- Hiring relatives;

- Using the Corporation's property, materials, supplies, funds or other resources for personal purposes; and

- Using a contracting firm for personal business which is also used by the Corporation.

Situations where loyalties to the Corporation could be compromised must be avoided. If a Recipient believes that he or she is involved in a potential conflict of interest or has any question about an actual or apparent conflict of interest, he or she must seek interpretive guidance by submitting the question by any of the alternatives provided by the Corporation for this express purpose.

Without limiting the generality of the foregoing, but for greater clarity, it is recognized that certain of the directors and officers of the Corporation are or may be directors of other oil and gas companies whose operations may, from time to time, be in competition with the Corporation. Such circumstances will not, in and of themselves, necessarily present a conflict of interest but are to be assessed on a case-by-case basis. In accordance with the *Alberta Business Corporations Act*, directors who have a material interest in, or any person who is a party to, a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

The Corporation will keep a record of all existing and potential conflicts of interest that arise and will assess them according to the standard procedures and manuals established by the Corporation.

CORPORATE OPPORTUNITIES

No Recipients shall:

- Take for himself or herself personally any opportunity of which he or she becomes aware through the use of the Corporation's property, information or position when such opportunity could be of

benefit or interest to the Corporation;

- Make it possible for a third party to take any opportunity of which he or she becomes aware through the use of the Corporation's property, information or position when such opportunity could be of benefit or interest to the Corporation, unless the Corporation has expressly decided not to attempt to take such opportunity;

- Use the Corporation's property, information or position for personal gain; or

- Compete with the Corporation in any way.

CONFIDENTIALITY

Recipients must always maintain confidentiality of all information entrusted to them by the Corporation or that otherwise comes into their possession in the course of their service or relationship with the Corporation, except when disclosure is authorized or legally mandated. Confidential information includes all confidential and proprietary information about the Corporation including intellectual property, acquisition and divestiture plans, business and marketing plans, financial information, databases, contracts, commercial relations, employee and consulting information, including, but not limited to, contact information, and information about suppliers including pricing and contact information.

Recipients shall comply with all confidentiality policies adopted by the Corporation from time to time and with confidentiality provisions contained in agreements to which they or the Corporation is a party. More specifically, Recipients will encourage full compliance with the Disclosure, Confidentiality, Insider Trading, Blackout Period & Anti-Hedging Policy & Procedures.

The obligation to not use or disclose confidential information continues even after a person has terminated their association (whether voluntarily or in-voluntarily) with the Corporation.

PROTECTION OF PERSONAL DATA

The Corporation undertakes to protect the right to privacy of its Recipients and Stakeholders by ensuring that private information entrusted to the Corporation through normal course of business is not disclosed, except where required by law. The Corporation shall heed all personal data rules and regulations established in international laws and conventions and, accordingly, they shall not collect, process, store, keep, disclose or use personal data in any manner that may infringe the aforesaid rules and regulations and shall respect the legitimate rights of data subjects.

PROTECTION AND PROPER USE OF CORPORATION ASSETS

All Recipients should endeavor to protect the Corporation's assets. Theft, carelessness and waste have a direct impact on the Corporation's profitability. Any suspected incidents of fraud or theft should be immediately reported for investigation in accordance with the Whistleblower Policy.

Corporate assets, such as funds, products or computers, may only be used for legitimate business purposes or other purposes approved by management. The Corporation's assets also include any expenditures that are made with Corporation's funds and these expenditures should be made for the Corporation's legitimate business purposes and in the best interest of the shareholders. Corporate assets may never be used for illegal purposes.

The obligations to protect Corporation assets includes, but is not limited to, protecting proprietary and confidential information. The obligation to preserve proprietary information continues even after a person has terminated their association (whether voluntarily or in-voluntarily) with the Corporation.

USE OF E-MAIL, INTERNET SERVICES AND RELATED MATTERS

E-mail systems and Internet services are provided to facilitate work related to the Corporation. Incidental and occasional personal use is permitted; however, it should never be used for personal gain or any improper purpose. Recipients may not send any information that could be insulting or offensive to another person, such as sexually explicit messages, cartoons, jokes, unwelcome propositions, ethnic or racial slurs, or any other message that could be viewed as harassment. Messages containing junk mail and trivia hampers the ability of the Corporation's systems to handle legitimate Corporation business and are prohibited.

Messages (including voice mail) and computer information are considered property of the Corporation and Recipients should not have any expectation of privacy. Unless prohibited by law, the Corporation reserves the right to access and disclose this information as necessary. Do not access, send messages or store any information that would be inappropriate if seen or heard by other individuals.

Software which is copyrighted must not be copied for use elsewhere.

User identification and passwords are provided for authorized access to the Corporation's computing resources. You must guard your identification and password closely and not divulge it to anyone for any reason. Requests from anyone, including information technology staff, for your password should be denied. You should change your password regularly. You are responsible for the consequences of any and all system accesses that are a result of use of your identification and password.

All data and information stored on the Corporation´s servers, networks, devices, applications, e-mails, cellphones are considered property of the Corporation and subject to the control, review, copying and monitoring of internal audit and the Corporate Ethics Committee and/or the Compliance Officer in Colombia.

Directors, officers, employees, contractors and consultants are also expected to strictly and fully comply with the Corporation's Social Media Policy.

INSIDER TRADING

Insider trading is unethical and illegal. Recipients are not allowed to trade in securities of the Corporation while in possession of material non-public information regarding the Corporation. It is also illegal to "tip" or pass on inside information to any other person who might make an investment decision based on that information or pass the information on further. The Corporation's Disclosure, Confidentiality, Insider Trading, Blackout Period & Anti-Hedging Policy & Procedures further sets out a Recipient´s obligations in respect of trading in the Corporation's securities.

GIFTS AND ENTERTAINMENT

Recipients or other representatives may not offer, solicit or accept gifts, cash or cash equivalent gifts, favors, courtesies, invitations or entertainment ("**Gifts and Entertainment**") to secure preferential treatment for themselves or for the Corporation. Situations where judgment might be influenced or appears to be influenced by improper considerations must be avoided. Limited and reasonable Gifts and Entertainment may only be accepted or offered by a Recipient or other representative without prior

approval of the Compliance Officer or the Compliance Ethics Committee if all of the following requirements are satisfied:

- when its commercial value does not exceed CAD$ 500 per year per person, delivered to or received from the same counterparty, as updated from time to time ("**Gifts and Entertainment Allowance**");

- the main purpose of the entertainment is discussion of specific projects or opportunities or education regarding the Corporation's products and it is attended by appropriate representatives of the Corporation;

- the Gifts and Entertainment is: (i) of nominal value (examples include logo cups, hats, shirts, USB drives, calendars and notebooks which bear a company or other official logo); or (ii) generally distributed by the giver to its customers and vendors as a token of goodwill during festivals, holidays, or other special occasions;

- the reimbursement request identifies all attendees for the purpose of tracking the frequency of Gifts and Entertainment involving specific Government Officials and private parties;

- all expense reimbursements are supported by receipts;

- the Gifts and Entertainment are permitted by prevailing legislation in force in each country, by the ethical principles of their respective cultures and by internal regulations;

- the Gifts and Entertainment do not contradict the values of ethical conduct and transparency adopted by the Corporation;

- the Gifts and Entertainment are not detrimental to the Corporation's image;

- the Gifts and Entertainment are delivered or received according to common commercial practice or a generally accepted social custom; and

- the Gifts and Entertainment do not breach the terms of the Corporation's Anti-Bribery and Anti-Corruption Policy (the "**Anti-Bribery and Anti-Corruption Policy**").

Compliance Officer in Colombia or Corporate Ethics Committee's prior approval will be required when the value of the Gift, and Entertainment to be given or received exceeds the applicable Gifts and Entertainments Allowance.

An exchange of such Gifts and Entertainment shall create no sense of obligation. Cash must never be offered or accepted by a Recipientor other representative as a Gift or Entertainment.

The value of Gifts and Entertainment should be nominal and customary, both with respect to frequency and amount. Gifts and Entertainment that are repetitive (no matter how small) may be perceived as an attempt to create an obligation to the giver and are therefore inappropriate. Likewise, business entertainment should be moderately scaled and intended only to facilitate business goals. Use good judgment. "Everyone else does it" is not sufficient justification. If you are having difficulty determining whether a specific Gifts and Entertainment item lies within the bounds of acceptable business practice, ask yourself these guiding questions:

- It is legal?
- Is it clearly business related?
- Is it moderate, reasonable, and in good taste?
- Would public disclosure embarrass the company?
- Is there any pressure to reciprocate or grant special favors?
- Is it being offered to influence any type of decision or to gain an improper advantage?
- Is it in compliance with the Values of this Code and other Policies?

Strict rules apply when the Corporation and its subsidiaries conduct business with Government Officials, whether in Canada or in other countries where the Corporation operates, as discussed in more detail below and in the Anti-Bribery and Anti-Corruption Policy. Because of the sensitive nature of these relationships, contact the Compliance Officer in Colombia or the Corporate Ethics Committee in Canada or use any of the available channels before offering or making any Gifts and Entertainment to Government Officials if you have questions as to whether the conduct is permissible under this Code, the Anti-Bribery and Anti-Corruption Policy or if you have any questions concerning its application to a particular set of facts.

FRAUD, BRIBERY AND CORRUPTION

Recipients must comply with all applicable laws prohibiting Improper Payments to domestic and foreign Government Officials.

In Canada, the *Corruption of Foreign Public Officials Act* (the "**Act**") provides that every person commits an offence who, in order to obtain or retain an advantage in the course of business, directly or indirectly gives, offers or agrees to give or offer a loan, reward, advantage or benefit of any kind to a foreign Government Official or to any person for the benefit of a foreign Government Official as consideration for an act or omission by the Government Official in connection with the performance of the Government Official's duties or functions, or to induce the Government Official to use his or her position to influence any acts or decisions of the foreign state or public international organization for which the Government Official performs duties or functions. The Corporation has adopted the Anti-Bribery and Anti-Corruption Policy and all Recipients or other representatives of the Corporation are required to strictly and fully comply with such Anti-Bribery and Anti-Corruption Policy and the applicable laws.

Violation of the Act and laws against fraud, bribery and corruption in the jurisdictions in which the Corporation operates is a criminal offence and every person who is found to have contravened these laws is guilty of an indictable offence and liable to imprisonment and other applicable sanctions. In addition to the disciplinary actions set out in the applicable laws, any Recipient or other representative who violates these laws or the Anti-Bribery and Anti-Corruption Policy will also be subject to disciplinary actions by the Corporation as set out in this Code.

No Recipient of the Corporation may retain a consultant, contractor, banker, lawyer, joint venture partner or other business partner agent, or other third party until sufficient due diligence has been performed to conclude with reasonable assurance that the agent, contractor, banker, lawyer, joint venture partner or

other business partner understands and will fully abide by the Act, all applicable laws against fraud, bribery and corruption in the jurisdictions in which the Corporation operates, the Anti-Bribery and Anti-Corruption Policy and this Code.

FAIR DEALING

The Corporation believes in fair and open competition and adheres to the requirements of the *Competition Act* (Canada) (the "**Competition Act**") and all applicable antitrust and competition laws in the jurisdictions in which the Corporation operates. The purpose of the Competition Act is to maintain a competitive marketplace by prohibiting certain activities that might reduce or prevent competition or harm consumers and sets out certain prohibitions on how competitors may deal with each other, as well as how businesses treat their suppliers and customers.

Each Recipient should endeavor to deal fairly with the Corporation's Stakeholders. No Recipient should take unfair advantage of anyone through illegal conduct, manipulation, concealment, abuse or privileged information, misrepresentation of material facts or any other unfair-dealing practice.

Recipients involved in procurement have a special responsibility to adhere to principles of fair competition in the purchase of products and services by selecting suppliers based exclusively on normal commercial considerations, such as quality, cost, availability, service and reputation, and not on the receipt of special favors.

We note below some general rules for Recipients of the Corporation: Recipients **shall not**:

- collude with third parties in bidding or tendering or in the award of contracts, the distribution of crude oil or natural gas, or the setting of terms of bids;

- exchange or discuss prices, terms or conditions relating to the sale of crude oil or natural gas, allocation of production or supply quotas, marketing practices, product distribution channels, or any other competitive information;

- enter into any understanding, agreement, plan or scheme, express or implied, formal or informal, with any competitor in regard to prices, terms or conditions relating to the sale, production, distribution, or marketing of crude oil or natural gas, the sale of crude oil or natural gas to one buyer under conditions different from those offered to another buyer with the intent of reducing or eliminating competition in the market, or any other terms or conditions which could establish or impose restrictive conditions on the market;

- sell or provide services in any part of a country in which the Corporation operates at a price different from that offered in another part of the country, when the intent or the effect is to reduce or eliminate competition in that part of the country;

- comply with a request by a supplier, customer or competitor to take action that may be harmful to another supplier, customer or competitor;

- obtain non-public information about a competitor directly from that competitor;

- make false or misleading representations about the Corporation's production of crude oil;

- alter or destroy any documents which may be the subject of an investigation by the Commissioner of Competition or any other antitrust agency in the jurisdictions in which the Corporation operates; or

- knowingly engage in any conduct which violates or could violate the Competition Act or similar laws in the jurisdictions in which the Corporation operates.

Recipients **shall**:

- seek clarification from senior management, the Corporate Ethics Committee or the Compliance Officer in Colombia for clarification and interpretation regarding any situation that may present an issue under the Competition Act or similar laws in the jurisdictions in which the Corporation operates;

- tell someone who initiates a discussion regarding a forbidden topic that you cannot discuss it because the Corporation strictly complies with the Competition Act and similar laws in the jurisdictions in which the Corporation operates;

- stop any conversation with anyone who insists on discussing a forbidden subject;

- report any known or suspected violations of the principles of fair dealing and all applicable antitrust and competition laws in the jurisdictions in which the Corporation operates in accordance with the Whistleblower Policy; and

- obtain information about competitors from public sources, such as trade publications, government reports and documents published.

Recipients who disregard the Corporation's Competition Act compliance policy or engage in activities which violate the Competition Act or similar applicable laws in the jurisdictions in which the Corporation operates will be disciplined. Depending upon the circumstances, discipline may include a suspension or dismissal.

Recipients and Stakeholders must report any known or suspected violations of the above principles of fair dealing, including regarding the Competition Act, to the Disclosure Committee.

CUSTOMER RELATIONS

All Recipients of the Corporation must act with integrity when dealing with customers of the Corporation in order to provide a quality product and excellent service. The Corporation aims for development of long-term relationships with its customers based on mutual trust and respect.

When entering in any business relationship with a costumer an appropriate risk assessment and due diligence process will be performed.

PARTNER RELATIONS

The Corporation aims to establish relationships with its business partners based on trust, respect, ethical principles, transparency of information and the implementation of common knowledge, experiences and competencies to reach common objectives for mutual benefit. Recipients of the Corporation will be committed to applying these same principles when dealing with directors, officers, employees, contractors

and consultants of partnering companies.

When entering in any business relationship with a partner an appropriate risk assessment and due diligence process will be performed.

VENDOR AND CONTRACTOR RELATIONS

When selecting vendors and contractors for the Corporation, Recipients must be impartial and objective. Recipients must apply quality and cost criteria in these processes and avoid any personal interest that may be in conflict with the interests of the Corporation.

When entering in any business relationship with vendors and contractors, an appropriate risk assessment and due diligence process will be performed.

The Corporation will inform its vendors and contractors of this Code with the goal of securing the best possible application of the principles established herein.

NON-PROFIT, PROFESSIONAL ASSOCIATION AND POLITICAL PARTICIPATION

The Corporation supports its Recipients who contribute to their communities through involvement with charitable, community service and professional organizations. If Recipients use the Corporation for such activities, they should only do so with the prior approval of the Corporate Ethics Committee.

Recipients engaging in the political process must take care to separate their personal activities from their association with the Corporation. These activities must not be conducted on Corporation time or involve use of Corporation resources. Employees will not be reimbursed for personal political contributions. No employee may make or commit to political contributions on behalf of the Corporation.

Recipients must speak as individuals and not as a spokesperson of the Corporation.

POLITICAL CONTRIBUTIONS

There are laws and regulations pertaining to political contributions made both in dollars and in "kind" that are applicable to the Corporation. However, where the Corporation deems appropriate, it may occasionally choose to make such contributions but only when authorized by the Corporate Ethics Committee, and only when the contribution is legal and appropriate for corporations such as the Corporation.

LOBBYING

Lobbying is communication in any form with Government Officials for the purposes of developing or amending laws, regulations, policies or guidelines, or to obtain a financial benefit, such as a grant or contribution.

Occasionally, Parex may choose to participate in public policy discussions on issues relevant to its business, including through its participation in and support of industry organizations. In advancing such discussions with Government Officials, the Corporation may contract consultant lobbyists to engage in lobbying activities on its behalf, however all lobbying activities with Government Officials are planned, coordinated, recorded and must be conducted by senior management of the Corporation. Parex complies with applicable lobbying legislation which imposes registration and reporting requirements on specified lobbying

communications with designated Government Officials.

In order to ensure that Parex is compliant with applicable lobbying legislation, the Corporation's representatives shall not engage in any lobbying activities or engage any consulting lobbyists without the prior written consent of the Corporate Ethics Committee. If a Recipient is unsure whether their communications with a Government Official may be regulated by the applicable laws, they should seek direction from the Corporate Ethics Committee or the Compliance Officer in Colombia, Disclosure Committee and legal advice where appropriate.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Each Recipient must at all times comply with applicable law within any jurisdiction that the Corporation carries on business and should avoid any situation which could be perceived as improper, unethical or indicate a casual attitude towards compliance with the law.

No Recipient shall collaborate with third parties in violating any law. Recipients must act honestly, with integrity and in accordance with the Values of the Corporation in all contact and in all transactions with legal authorities and Government Officials and must endeavor that information submitted by them is accurate, concise and complete. Recipients must not hamper requests for information received from civil servants or the fulfillment of any other duties that a civil servant may perform in the legitimate exercise of their authority, provided that they are established in and exercised in accordance with prevailing laws and other legal provisions.

Recipients are expected to be sufficiently familiar with any legislation that applies to their directorship, office, employment or service and shall recognize potential liabilities, seeking direction from the Compliance Officer in Colombia, Corporate Ethics Committee and/or Disclosure Committee and legal advice where appropriate. Ensuring compliance with the law remains each individual's personal responsibility. Ignorance of legislation or dependence upon this Code or its supporting policies and procedures does not constitute a defense.

SAFETY, HEALTH AND COMPLIANCE WITH ENVIRONMENTAL LAWS

The Corporation is sensitive to the environmental, health and safety consequences of its operations. Accordingly, the Corporation will operate in compliance with applicable environmental laws and regulations, within all jurisdictions that the Corporation carries on business.

The Corporation's commitment to protecting its Recipients, and surrounding environment from any negative or harmful impact is outlined in the Corporation's Occupational Health and Safety Policy and Politica Integral HSEQ (Colombia) (together the "**Corporate OHS Policies**").

All Recipients are responsible for maintaining a safe workplace by following safety and health rules and practices. The Corporation is committed to keeping its workplaces free from hazards. Any accidents, injuries, unsafe equipment, practices or conditions must be immediately reported to a supervisor or other designated person. Threats or acts of violence or physical intimidation are prohibited.

In order to protect the safety of all employees, the environment and third parties, Recipients must report to work free from the influence of any substance that could prevent them from conducting work activities safely and effectively.

If any Recipient has any doubt as to the applicability or meaning of a particular environmental, health or safety regulation, he or she should discuss the matter with a member of the HSE & Reserves Committee

of the Board.

HUMAN RIGHTS, DISCRIMINATION AND HARASSMENT

The Corporation undertakes to respect and to uphold the human rights and public liberties. Consequently, all Recipients of the Corporation must support this commitment by carrying out their professional activities fully respecting and protecting the human rights and public liberties of themselves and those around them.

The Corporation is also committed to providing equal opportunity in all aspects of employment. Abusive, harassing or offensive conduct is unacceptable, whether verbal, physical or visual. Recipients must comply with all laws prohibiting discrimination and harassment.

The Corporation has adopted a Human Rights Policy and a Violence and Harassment Prevention Policy and all Recipients of the Corporation are required to strictly and fully comply with such Human Rights Policy and Violence and Harassment Prevention Policy and all applicable laws.

ACCURACY OF CORPORATION RECORDS AND REPORTING

Honest and accurate recording and reporting of information is critical to our ability to make responsible business decisions. The Corporation's accounting records are relied upon to produce reports for the Corporation's management, shareholders, creditors, governmental agencies and others.

The Corporation's records must at all times be prepared accurately and maintained properly, in accordance with the Corporation's records management policies, the generally accepted accounting principles and any other applicable laws, rules and regulations. No false, artificial or deceptive entries may be made in the Corporation's records for any reason. The Corporation's books must accurately reflect the transactions it records. The Corporation does not permit intentional misclassification of transactions as to accounts, departments or accounting periods. All transactions must be supported by accurate documentation in reasonable detail and be recorded in the proper account and in the proper accounting period. No Recipient may engage in, allow or conceal any financial or bookkeeping irregularity.

The Corporation's records are, in fact, property of the Corporation, therefore, the Corporation's records must not be removed from the Corporation's property except for a legitimate business reason in accordance with the Records Management and Retention Policy and any documents so removed should be returned to the Corporation's property as soon as practical.

Accounting procedures and controls are prescribed by the Corporation's policies and practices. Within these policies and practices, the senior officers of the Corporation have the primary responsibility for establishing and monitoring adequate systems of internal controls in accordance with sound accounting principles, and all Recipients must adhere to these controls. The Corporation's employees are required to cooperate completely and forthrightly with the Corporation's independent external auditors.

Any Recipient or Stakeholder who has a concern with respect to the improper disclosure of, or failure to disclose any of the Corporation's activities or transactions should bring the matter to the attention of the Finance and Audit Committee or by reporting the concern by way set out in this Code and in the Corporation's Whistleblower Policy. No retaliatory actions shall be taken against any Recipient or Stakeholder that chooses to report such improper conduct.

REPORTING VIOLATIONS

The Code cannot, and is not intended to, address all of the situations a Recipient may encounter. There will be circumstances not covered by this policy and procedure and where a person will be required to make a judgment as to the appropriate course of action. The Board has established many options for any Recipient seeking compliance advice or reporting misconduct or violations of this Code.

Recipients and Stakeholders may contact any of the following for compliance advice:

- any member of the Corporate Ethics Committee;
- any member of the Ethics and Compliance Committee;
- the Compliance Officer in Colombia;
- their supervisor;
- any member of the Disclosure Committee;
- the Corporation's Whistleblower Hotline, EthicsPoint, at www.ethicspoint.com, 1-888-279-5269 in the United States or Canada ; 01-800-5189589 in Colombia;
- the Province of Alberta's Human Rights Commission, Southern Regional Office, 200 J.J. Bowlen Building, 620 - 7 Avenue S.W., Calgary, Alberta T2P 0Y8, telephone (403) 297-6571 (Confidential Inquiry Line); or
- any other member of the Board.

This contact may be on an identified or anonymous basis. Anyone who seeks advice, raises a Inquiry or reports a Complaint, misconduct or a violation of this Code is following the requirements of this Code and the desires of the Board. The Corporation encourages such action. Retaliation against anyone who makes a good faith report of misconduct is in breach of this Code and will not be tolerated. The Corporation will take appropriate disciplinary action, including severance from the Corporation, against any individuals engaging in improper retaliatory conduct.

All complaints will be assessed accordingly with the Corporation´s Whistleblower Policy. All Complaints and Inquiries may lead to an investigation process to determine whether the facts are true and to take any necessary measures the Corporation may deem appropriate.

WAIVERS OF THE CODE

Any waiver of this Code for executive officers or directors will be made only by the Board or a committee of the Board. Conduct by a director or executive officer which constitutes a material departure from this Code may be promptly disclosed if required by law or stock exchange regulation.

VIOLATION OF THIS CODE

Any determination of a breach of this Code by a Recipient may result in sanction of the individual by the Board, including asking for his or her resignation, . In the case where the violation by an officer or employee is a fundamental breach of their contract of employment, such breach shall constitute grounds

for immediate termination of such employment for cause and without notice or severance. Each Recipient acknowledges that when the Board determines that an individual has violated the Code and requests the individual's resignation, the individual shall resign as requested.

AUTHORIZATION

I, the undersigned, hereby certify that:

1. I have read and understand the foregoing being Parex Resources Inc.'s Code of Conduct and agree to abide by the terms and conditions of such Code and of all the Corporation's Policies referred to herein.

2. I understand that all service providers of the Corporation and its affiliates and subsidiaries, including me, are expected to abide by the Code of Conduct and that my adherence to the Code of Conduct is not a guarantee of my continued service with the Corporation.

3. I am aware that it is illegal under the *Corruption of Foreign Public Officials Ac*t and all applicable laws to give, offer, promise or authorize giving anything of value to any domestic or foreign Government Official or political party in an effort to win or retain business or secure any improper advantage. I will not violate, nor cause the Corporation to violate the *Corruption of Foreign Public Officials Act* and all applicable laws and I will strictly and fully comply with the Anti-Bribery and Anti-Corruption Policy.

4. I understand my responsibility to seek advice, raise a concern or report misconduct or a violation of the Code of Conduct in accordance with the section entitled "Reporting Violations" of this Code.

5. I understand that any violation of the Code of Conduct, including my failure to report a misconduct or violation thereof or my failure to cooperate in a compliance investigation, may result in corrective action and/or disciplinary action, which may include or be grounds for termination.

Signature _____

Print Name _____

Date _____

MANAGEMENT'S REPORT

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information presented elsewhere in this annual report.

The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Since a precise determination of many assets and liabilities is dependent on future events, the timely preparation of financial statements requires that management make estimates and assumptions and use judgment. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances.

PricewaterhouseCoopers LLP were appointed by the Company's shareholders to express an audit opinion on the consolidated financial statements. Their examination included such tests and procedures as they considered necessary to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The Board of Directors is responsible for overseeing that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Finance & Audit Committee. The Finance & Audit Committee recommends appointment of the external auditors to the Board, evaluates their independence and approves their fees. The Finance & Audit Committee meets regularly with management and the external auditors to oversee that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board for approval. The external auditors have full and unrestricted access to the Finance & Audit Committee to discuss their audit and their findings.

"signed"	"signed"
Imad Mohsen	Sanjay Bishnoi
President and Chief Executive Officer	Chief Financial Officer

February 29, 2024

Independent auditor's report

To the Shareholders of Parex Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Parex Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of oil and natural gas reserves on net property, plant and equipment (PP&E) *Refer to note 2 – Basis of preparation, significant accounting estimates and judgments, note 3 – Summary of material accounting policies, note 4 – Determination of fair values and note 8 – Property, plant and equipment to the consolidated financial statements.* The Company has $1,338 million of net PP&E as at December 31, 2023. Depletion, depreciation and amortization (DD&A) expense was $194 million for the year then ended. PP&E within each cash generating unit (CGU) is depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved plus probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use. The proved plus probable reserves are prepared by the Company's independent qualified reserve evaluators (management's experts). For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The carrying amounts of the Company's long-term assets are reviewed at each reporting date to determine whether there are any indicators of impairment. If an indicator of impairment exists, management estimates the asset's recoverable amount. Impairment loss is recognized if the carrying amount of an asset or its	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount for the Boranda/Fortuna CGU and DD&A expense for each of the CGUs, which included the following: – Evaluated the appropriateness of the method used by management in making these estimates. – Tested the data used in determining these estimates. – Evaluated the reasonableness of the assumptions used in developing the underlying estimates: ○ Proved plus probable reserves, future development costs and operating costs by considering the past performance of each significant CGU, and whether these assumptions were consistent with evidence obtained in other areas of the audit. ○ Future commodity prices by comparing those forecasts with other reputable third party industry forecasts. ○ The discount rate by determining whether it is consistent with evidence obtained. – Recalculated the unit-of-production rates used to calculate the DD&A expense for each of the Company's CGUs. • The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved plus probable reserves used to determine the DD&A expense and the recoverable amount of the

CGU exceeds its estimated recoverable amount. The fair value less cost of disposal (FVLCD) is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future after tax net cash flows of proved plus probable reserves using forecast prices and costs prepared by the Company's independent qualified reserve evaluators (management's experts).

An indication of impairment was identified for the Boranda/Fortuna CGU as at December 31, 2023 and an impairment test was performed. The Company determined that the carrying amount for the Boranda/Fortuna CGU exceeded its recoverable amount and an impairment of $60 million was recorded. The recoverable amount was determined using fair value less cost of disposal. As at December 31, 2023, there were no indicators of impairment noted, or indicators requiring a reversal of previously recorded impairments for the remaining CGUs. Determining the recoverable amount of a CGU or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs of disposal of property, plant and equipment for impairment calculations.

We determined that this is a key audit matter due to (i) the significant judgment made by management, including the use of management's experts, when developing the expected future after tax net cash flows to determine the recoverable amount and the proved plus probable oil and natural gas reserves; and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions.

Boranda/Fortuna CGU. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 29, 2024

CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Balance Sheets

As at (thousands of United States dollars)	NOTE	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	**21**	**$ 140,352**	$ 419,002
Accounts receivable	**5**	**118,567**	117,958
Prepaids and other current assets		**44,990**	52,009
Current income tax receivable	**19**	**29,012**	—
Crude oil inventory	**6**	**4,254**	4,633
		337,175	593,602
Deferred tax asset	**19**	**246,678**	110,908
Goodwill	**12**	**73,452**	73,452
Exploration and evaluation	**7**	**211,590**	115,745
Property, plant and equipment	**8**	**1,338,175**	1,255,395
Long-term inventory	**9**	**204,701**	165,271
Other long-term assets	**21**	**3,556**	—
		$ 2,415,327	$ 2,314,373
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 252,148**	$ 306,762
Derivative financial instruments	**24**	**—**	1,278
Current income tax payable	**19**	**—**	193,854
Current portion of decommissioning and environmental liabilities	**16**	**6,000**	6,720
		258,148	508,614
Bank debt	**10**	**90,000**	—
Lease obligation	**11**	**5,736**	6,079
Cash settled share-based compensation liabilities	**15**	**16,284**	13,132
Decommissioning and environmental liabilities	**16**	**89,732**	46,572
Deferred tax liability	**19**	**—**	24,984
		459,900	599,381
Shareholders' equity			
Share capital	**17**	**660,817**	682,718
Contributed surplus		**19,248**	20,334
Retained earnings		**1,275,362**	1,011,940
		1,955,427	1,714,992
		$ 2,415,327	$ 2,314,373

Commitments and Contingencies (note 26)
Subsequent Events (note 28)
See accompanying Notes to the Consolidated Financial Statements

Approved by the Board:

"signed"	"signed"
Sigmund Cornelius	Bob MacDougall
Director	Director

Consolidated Statements of Comprehensive Income

For the year ended December 31, (thousands of United States dollars, except per share amounts)	NOTE	2023	2022
Oil and natural gas sales	13	$ 1,414,552	$ 1,643,589
Royalties		(244,703)	(332,895)
Revenue		1,169,849	1,310,694
Expenses			
Production		207,129	129,980
Transportation		68,306	61,229
Purchased oil		4,583	9,936
General and administrative		61,077	51,222
Impairment of exploration and evaluation assets	7	82,858	103,394
Impairment of property, plant and equipment assets	8	59,682	—
Equity settled share-based compensation expense	17	1,043	1,228
Cash settled share-based compensation expense	18	29,321	17,900
Depletion, depreciation and amortization	8	194,229	149,351
Foreign exchange loss (gain)	24	5,486	(17,405)
		713,714	506,835
Finance (income)	14	(14,520)	(9,015)
Finance expense	14	16,416	9,708
Net finance expense		1,896	693
Income before income taxes		454,239	803,166
Income tax (recovery) expense			
Current tax expense	19	155,683	346,037
Deferred tax (recovery)	19	(160,753)	(154,239)
		(5,070)	191,798
Net income and comprehensive income for the year		$ 459,309	$ 611,368
Basic net income per common share	20	$ 4.32	$ 5.38
Diluted net income per common share	20	$ 4.32	$ 5.38

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Equity

For the year ended December 31, (thousands of United States dollars)		**2023**		2022
Share Capital				
Balance, beginning of year	**$**	**682,718**	$	731,713
Issuance of common shares under share-based compensation plans		**5,956**		11,084
Repurchase of shares		**(27,857)**		(60,079)
Balance, end of year	**$**	**660,817**	$	682,718
Contributed Surplus				
Balance, beginning of year	**$**	**20,334**	$	24,530
Share-based compensation		**1,043**		1,228
Options and RSUs exercised		**(2,129)**		(5,424)
Balance, end of year	**$**	**19,248**	$	20,334
Retained earnings				
Balance, beginning of year	**$**	**1,011,940**	$	637,448
Net income for the year		**459,309**		611,368
Repurchase of shares		**(77,211)**		(161,385)
Dividends		**(118,676)**		(75,491)
Balance, end of year		**1,275,362**		1,011,940
	$	**1,955,427**	$	1,714,992

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

For the year ended December 31, (thousands of United States dollars)	NOTE	2023	2022
Operating activities			
Net income		**$ 459,309**	$ 611,368
Add (deduct) non-cash items			
Depletion, depreciation and amortization	**8**	**194,229**	149,351
Non-cash finance expense	**14**	**8,347**	5,048
Equity settled share-based compensation expense	**17**	**1,043**	1,228
Cash settled share-based compensation expense	**18**	**29,321**	17,900
Deferred tax (recovery)	**19**	**(160,753)**	(154,239)
Impairment of exploration and evaluation assets	**7**	**82,858**	103,394
Impairment of property, plant and equipment assets	**8**	**59,682**	—
Unrealized foreign exchange (gain)	**24**	**(6,453)**	(9,692)
Loss on settlement of decommissioning liabilities	**16**	**199**	532
Net change in non-cash working capital	**21**	**(291,311)**	258,712
Cash provided by operating activities		**376,471**	983,602
Investing activities			
Property, plant and equipment expenditures	**8**	**(310,933)**	(389,979)
Exploration and evaluation expenditures	**7**	**(172,410)**	(122,273)
Long-term inventory expenditures, net of transfers	**9**	**(39,430)**	(140,266)
Net change in non-cash working capital	**21**	**(12,742)**	14,417
Cash (used in) investing activities		**(535,515)**	(638,101)
Financing activities			
Issuance of common shares under equity-settled plans	**17**	**3,827**	5,660
Common shares repurchased	**17**	**(105,068)**	(221,464)
Dividends	**17**	**(118,676)**	(75,491)
Bank debt	**10**	**90,000**	—
Payments on lease obligation	**11**	**(712)**	(685)
Cash (used in) financing activities		**(130,629)**	(291,980)
(Decrease) increase in cash and cash equivalents for the year		**(289,673)**	53,521
Impact of foreign exchange on foreign currency-denominated cash balances		**14,579**	(12,857)
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	**21**	**419,002**	378,338
Cash and cash equivalents and restricted cash and cash equivalents, end of year	**21**	**$ 143,908**	$ 419,002

Supplemental Disclosure of Cash Flow Information (note 21)
See accompanying Notes to the Consolidated Financial Statements

1. Corporate Information

Parex Resources Inc. and its subsidiaries ("Parex" or "the Company") are in the business of the exploration, development, production and marketing of oil and natural gas in Colombia.

Parex Resources Inc. is a publicly traded Company, incorporated and domiciled in Canada. Its registered office is at 2400, 525-8th Avenue S.W., Calgary, Alberta T2P 1G1. The Company was incorporated on August 17, 2009, pursuant to the Business Corporations Act (Alberta).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 29, 2024.

2. Basis of Preparation, Significant Accounting Estimates and Judgements

a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The policies applied in these consolidated financial statements are based on FRS Accounting Standards issued and outstanding as of February 29, 2024, the date the Board of Directors approved the consolidated financial statements.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and share-based compensation transactions which are measured at fair value. The methods used to measure fair values are discussed in note 4 - Determination of Fair Values.

c) Use of management estimates, judgments and measurement uncertainty

The timely preparation of the consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur.

The evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels could change assumptions used to determine the recoverable amount of the Company's PP&E and E&E assets. This could affect the carrying value of those assets, may affect future development or viability of exploration prospects, may curtail the expected useful lives of oil and gas assets thereby accelerating depreciation charges and may accelerate decommissioning obligations increasing the present value of the associated provisions. The timing in which global energy markets transition from carbon-based sources to alternative energy is highly uncertain. Environmental considerations are built into our estimates through the use of key assumptions used to estimate fair value including forward commodity prices and discount rates. The energy transition could impact the future prices of commodities. Pricing assumptions used in the determination of recoverable amounts incorporate market expectations and the evolving worldwide demand for energy.

Determining the recoverable amount of a cash-generating unit ("CGU") or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

(i) Depletion, depreciation and reserves

Depletion is based on the proved plus probable reserves as evaluated in accordance with National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and incorporating the estimated future cost of developing and extracting those. The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, commodity prices and future development costs. As circumstances change and additional data becomes available, reserve estimates may also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions of reserve estimates are often required due to changes in well performance, prices, economic conditions and governmental regulations.

Although every reasonable effort is made to determine that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs of disposal of property, plant and equipment for impairment calculations (see note 8 - Property, Plant and Equipment).

(ii) Determination of cash-generating units ("CGUs")

The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

(iii) Exploration and evaluation ("E&E")

The decision to transfer assets from E&E to property, plant and equipment ("PP&E") is primarily based on the estimated proved plus probable reserves used in the determination of an area's technical feasibility and commercial viability (see note 7 – Exploration and Evaluation Assets).

(iv) Decommissioning and environmental liabilities

Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of its assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change in response to changes in reserves, laws and regulations or their interpretation, the timing and likelihood of the settlement of the obligation, discount rates, and future interest rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The Company uses a risk-free discount rate based on forecasted Colombia interest rates.

Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed and the associated costs can be estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Company to perform additional mitigation against the environmental issues attributed to water usage and deforestation from oil and gas activities performed. In addition, the timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities. Refer to note 16 – Decommissioning and Environmental Liabilities.

(v) Impairment indicators and discount rate

The recoverable amounts of CGUs and individual assets have been determined as the greater of either an asset's or CGU's value in use or fair value less costs of disposal. These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, quantity of reserves and discount rates as well as future development and operating costs. It is reasonably possible that the commodity price assumptions may change, which may impact the estimated life of the oil and natural gas reserves and the recoverable economical reserves and may require a material adjustment to the carrying value of oil and natural gas assets. The Company monitors internal and external indicators of impairment relating to its property, plant and equipment, and exploration and evaluation assets. Refer to note 7 – Exploration and Evaluation Assets, note 8 – Property, Plant and Equipment and note 12 – Goodwill.

(vi) Share-based compensation

Compensation costs accrued for under the Company's Stock Option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Parex shares and expected term of the issued stock option. Compensation costs accrued for under the Company's Deferred Share Unit ("DSU") plan, Cash Settled Restricted Share Units ("CRSU") plan and Cash or share settled Restricted Share Units ("CosRSU") and Performance Share Units ("CosPSU") plan pursuant to which CosRSUs and CosPSUs may be issued are measured at fair value based on the market price of Parex shares on the date of issuance. Refer to note 17 - Share Capital and note 18 - Cash Settled Incentive Plans.

(vii) Derivative financial asset/liability

The estimated fair value of derivative instruments and resulting derivative assets and liabilities depends on estimated forward prices and volatility in those prices and by their nature are subject to measurement uncertainty.

(viii) Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused temporary differences can be utilized. Future projected income and future tax rates could be affected by oil prices, quantities of oil and gas reserves, and future oil and gas production. If these factors or other circumstances change, the Company would reassess its ability to record any increase or decrease in its deferred income tax asset. To the extent that actual outcomes differ from management's estimates, taxation charges or credits may arise in future periods. Refer to note 19 - Income Tax.

(ix) Business combinations, corporate and property acquisitions

Business combinations, corporate and property acquisitions are accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed are recorded at fair values. The determination of fair value often requires management to make assumptions and estimates about future events. The fair value of property, plant and equipment recognized in a business combination, corporate or property acquisition is based on market values. The market value of property, plant and equipment is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market value of E&E assets are estimated with reference to the market values of current arm's length transactions in comparable locations. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill (or gain from a bargain purchase) in the acquisition equation. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment or goodwill impairment.

x) Impact of climate change and environmental initiative regulations

In Colombia there is currently no specific regulation that obliges companies to specifically monitor and report greenhouse gas ("GHG") emissions. Although at the present time there is no specific regulations related to climate change or GHG emissions in Colombia, the Company has a plan in place to monitor and disclose key metrics surrounding the environmental impacts of the Company's operations. Climate change regulation in Colombia has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Colombia. Such regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impact of climate change and environmental laws and regulations on the Company, as the Company is unable to predict additional legislation or amendments that the Colombian government may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

3. Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries at December 31, 2023. The principal operating subsidiaries and their activities are:

Entity	Country of incorporation	Country of principle business activity	Ownership %	Principle business activity
Parex Resources (Colombia) AG	Switzerland	Colombia	100	Oil and natural gas exploration and development
Verano Energy (Switzerland) AG	Switzerland	Colombia	100	Oil and natural gas exploration and development

The above listing does not include the wholly-owned holding company subsidiaries or inactive operating company subsidiaries of Parex. All companies in the Parex group are wholly-owned subsidiaries.

Inter-company balances and transactions are eliminated on consolidation. Interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. Joint operations arise when the Company has rights to the assets and obligations for the liabilities of the arrangement. The Company recognizes its share of assets, liabilities, revenues and expenses of a joint operation. A significant portion of the Company's operating cash flows is derived through joint operations which are involved in the development and production of crude oil in Colombia. Joint ventures arise when the Company has rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The consolidated financial statements are presented in United States dollars, which is the functional currency of Parex.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of comprehensive income.

c) Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value Through Profit or Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

As at December 31, 2023, all of the Company's receivables were outstanding for less than 90 days. The average expected credit loss on the Company's trade accounts receivable was 0.3% at December 31, 2023.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Derivative Financial Instruments

Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Where specific financial instruments are executed, the Company assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

Risk management assets and liabilities are derivative financial instruments classified as measured at FVTPL. Derivatives financial instruments are recorded using mark-to-market accounting whereby instruments are recorded in the consolidated balance sheets as either an asset or liability with changes in fair value recognized in net earnings as a gain or loss on risk management. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts.

d) Capital assets

(i) Exploration and evaluation

All costs directly associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized. E&E costs are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, E&E drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to comprehensive income as E&E expenses.

When an area is determined to be technically feasible and commercially viable the accumulated costs are transferred to PP&E, where they are depleted. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to comprehensive income as impairment of exploration and evaluation assets. Net proceeds from any disposal of an intangible exploration asset are recorded as a reduction in intangible assets.

(ii) Property, plant and equipment

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include proved property acquisitions, development drilling, completion of wells, gathering facilities and infrastructure, decommissioning and restoration costs and transfers of E&E assets.

Costs accumulated within each CGU are depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated forecast costs to be incurred in developing proved plus probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use.

Costs associated with office furniture, fixtures and leasehold improvements are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from 1 to 5 years.

(iii) Long-term inventory

All costs in the form of long-lead material and equipment inventory, such as drill casing, natural gas compressors, and other major equipment, are initially capitalized. As the assets are used, they will be incorporated into the costs of the related E&E and PP&E projects.

e) Impairment of long-term assets

The carrying amounts of the Company's long-term assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. E&E assets are also assessed for impairment when they are reclassified to PP&E, and, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. E&E assets are allocated to related CGUs where they are assessed for impairment upon their eventual reclassification to PP&E. E&E assets not reclassified to PP&E are assessed for impairment on a block by block basis. If an indication of impairment exists, management estimates the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

The value in use is determined by estimating the present value of the pre-tax future net cash flows expected to be derived from the continued use of the asset or CGU. The FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future after tax net cash flows of proved plus probable reserves using forecast prices and costs prepared by the Company's independent qualified reserve evaluators.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income.

The recoverable amount of goodwill is determined as the fair value less costs of disposal using a discounted cash flow method. Goodwill is evaluated at the Colombia segment level as business combinations giving rise to goodwill do not have specifically identifiable benefits to any one CGU.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

f) Crude oil inventory

Crude oil inventory consists of crude oil in transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location.

g) Purchased oil

Purchased oil includes costs to buy third party oil. The costs for third party oil are initially recorded in inventory until the crude oil title is transferred.

h) Goodwill

Goodwill is recorded on a business acquisition when the purchase price is in excess of the fair values assigned to assets acquired and liabilities assumed. Goodwill is not amortized and an impairment test is performed annually or as events occur that could indicate impairment. To test for impairment, goodwill is allocated to each of the Company's CGUs, groups of CGUs, or an operating segment expected to benefit from the acquisition. Goodwill is tested by combining the carrying amounts of property, plant and equipment, exploration and evaluation assets and goodwill and comparing this to the recoverable amount. Fair value less costs of disposal, is derived by estimating the discounted after-tax future net cash flows as described in the property, plant and equipment impairment test, plus the fair market value of undeveloped land, seismic and inventory. Value in use is assessed using the present value of the expected future cash flows. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Impairment charges, which are not tax affected, are recognized in comprehensive income and are not reversed. Goodwill is reported at cost less any impairment.

i) Revenue recognition

Parex principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from Parex to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- Parex has transferred title and physical possession of the commodity to the buyer;
- Parex has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- Parex has the present right to payment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company sells its production of crude oil and natural gas pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, Parex does not adjust its revenue transactions for the time value of money.

Parex enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. The Company also applies a practical expedient of IFRS 15 that allows any incremental costs of obtaining contracts with customers to be recognized as an expense when incurred rather than being capitalized.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

The Company's revenue transactions do not contain significant financing components.

j) Equity settled share-based compensation

The Company has an incentive stock option plan pursuant to which the Company may issue options for certain employees, officers and directors as described in note 17 - Share Capital. The Company records share-based compensation expense using the fair value method. The fair value of an option granted is calculated at the grant date using the Black-Scholes pricing model and expensed over the vesting period of the option. The Company determines an appropriate forfeiture rate by examining the history of its forfeitures. The Company records the cumulative share-based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised security. Any consideration received on the exercise of stock options is credited to share capital.

Upon the exercise of the options the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

k) Cash settled share-based compensation

The Company has a Cash Settled Restricted Share Unit ("CRSUs") plan which allows the Company to issue CRSUs to certain employees of Parex Colombia as described in note 18 - Cash Settled Incentive Plans. Obligations for payments of cash under the foreign subsidiaries' CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equal to the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the CRSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The CRSUs liability cannot be settled by the issuance of common shares.

The Company has a Deferred Share Unit ("DSU") plan which allows the Company to issue DSUs to all non-employee directors of Parex Resources Inc., as described in note 18 - Cash Settled Incentive Plans. As DSUs vest immediately on issuance, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately on issuance based on the fair value of the DSUs. The fair value of DSUs at each reporting period is equal to the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the DSUs result in a corresponding change in the recorded liability. The accrued compensation for a unit that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

The Company has a Cash or Share Settled Restricted Share Unit/Performance Share Unit ("CosRSU/CosPSU") incentive plan to issue CosRSUs and CosPSUs to certain employees of Parex Canada as described in note 18 - Cash Settled Incentive Plans. Obligations for payments of cash or settlement of shares under the CosRSUs and CosPSUs plan are accrued as compensation expense over the vesting period based on the fair value of the CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equal the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the CosRSUs and CosPSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The CosRSUs and CosPSUs liability can be settled in cash or by the issuance of common shares at the election of the employee.

l) Provisions

A provision is recognized if, as a result of a past event, the Company has a current legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

m) Decommissioning and environmental liabilities

The Company's activities give rise to dismantling, decommissioning, environmental, abandonment and site disturbance remediation activities. Provisions are made for the estimated cost of the future site restoration and capitalized in the relevant asset category.

Decommissioning and environmental liabilities are measured at the present value of management's best estimate of the cost and future timing of the expenditure required to settle the present obligation at the balance sheet date using a risk-free discount rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance expense whereas increases (decreases) due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning and environmental liabilities are charged against the provision to the extent the provision was established.

n) Operating Segments

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by the Company's chief operating decision makers. The operating segments are Canada and Colombia. The Company evaluates the financial performance of its operating segments primarily based on operating cash flow.

o) Finance income and expense

Finance expense comprises credit facility interest related to the drawn credit facility, standby fees related to the undrawn credit facility, bank taxes, accretion on provisions, loss (gain) on settlement of provisions, loss on disposition of tangible assets, other and expected credit loss provision (recovery). Finance income comprises interest earned on cash and other income.

p) Cash and cash equivalents

Cash and cash equivalents is comprised of cash and other short-term highly liquid investments with maturities less than 3 months held in chartered banks in Canada and recognized financial institutions in Colombia and Switzerland with BBB+ credit ratings or higher.

q) Restricted cash and cash equivalents

Restricted cash and cash equivalents is comprised of cash and cash equivalents pledged to satisfy commitments in long term contracts. Restrictions will lapse when work obligations are satisfied pursuant to the contracts. Cash and claims to cash that are restricted as to withdrawal or use for other than current operations or are designated for expenditure to satisfy commitments pursuant to long-term contracts, are excluded from the current asset classification. The long-term portion of restricted cash and cash equivalents is included in other long-term assets on the Company's balance sheet.

r) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates, currency exchange rates and laws enacted or substantively enacted by the balance sheet date and expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax is not provided on temporary differences arising on investments in subsidiaries except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and liabilities are presented as non-current.

s) Per share information

Basic net income per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees, except when the effect would be anti-dilutive.

t) Leases

Right-of-use asset ("ROU asset") and a corresponding lease obligation are recognized on the balance sheets on the date that a lease asset becomes available for use. Interest associated with the lease obligation is recognized over the lease period with a corresponding increase in the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the lease term. Depreciation on ROU assets is recognized in DD&A.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed lease payments, variable lease payments and payments to exercise an extension or termination option if applicable, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

ROU assets and lease obligations are remeasured when there is a change in the future lease payments arising from a change in an index or rate or term, or if there is a change in the assessment on whether the Company will exercise an extension or termination option.

Short-term leases and leases of low-value assets are not recognized on the balance sheets and lease payments are instead recognized in the financial statements as incurred.

u) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. When the company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. The excess of the purchase price over the average carrying value is recognized as a deduction from Retained Earnings. Shares are cancelled upon repurchase.

v) Dividends

Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are declared by the Board of Directors.

w) New Accounting Policies

i) Amendments to IAS 8 Changes in Estimates vs Changes in Accounting Policies

On January 1, 2023, the Company adopted Changes in Estimates vs Changes in Accounting Policies, which made amendments to IAS 8 Changes in Estimates vs Changes in Accounting Policies. The amendments help to distinguish changes in accounting estimates from changes in accounting policies. There was not a material impact to the Company's financial statements.

ii) Amendments to IAS 12 Income Taxes

On January 1, 2023, the Company adopted issued amendments to IAS 12 Income Taxes, which made amendments to IAS 12 Income Taxes. The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was not a material impact to the Company's financial statements.

The Company has adopted the amendment to IAS 12 International Tax Reform - Pillar Two Model Rules in the interim period ending June 30, 2023. As a result, the Company has applied the exception to not recognize and disclose information about deferred tax assets and liabilities related to Pillar Two incomes taxes. This exception has been applied retrospectively but no adjustments to previously reported figures were reported.

x) Future Accounting Pronouncements

The Company plans to adopt the following amendments to accounting standards, issued by the IASB, that are effective for annual periods beginning on or after January 1, 2024. The pronouncements will be adopted on their respective effective dates; however, each is not expected to have a material impact on the financial statements.

i) Amendments to IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statements of financial position. This will be effective on January 1, 2024.

In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. This will be effective on January 1, 2024. The Company will continue to monitor and assess for impacts from the amendment of IAS 1. The Company does not anticipate any material impacts from these amendments on the consolidated financial statements as a result of the initial application.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) PP&E and intangible exploration assets

The fair value of PP&E and intangible exploration assets are determined if there are indicators of impairment. The fair value of PP&E is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of oil and natural gas assets (included in PP&E) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on the reserve reports prepared by the Company's independent qualified reserve evaluators. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

b) Cash, accounts receivable, and accounts payable and accrued liabilities

The fair value of cash, accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2023 and 2022 the fair value of these balances approximated their carrying value due to their short-term to maturity.

c) Stock options

The fair value of stock options is measured using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, exercise price of the option, expected future share price volatility, weighted average expected life of the instruments (based on historical experience and general option-holder behavior), expected dividends, expected forfeiture rate and the risk-free interest rate (based on Government of Canada Bonds) for the relevant expected life as described in note 17 - Share Capital.

d) Cash settled restricted share units, cash or share settled restricted share units and performance share units and deferred share units

The fair value of stock CRSUs, DSUs, CosRSU and CosPSU are measured based on the market price of Parex shares on each balance sheet date. Refer to note 18 - Cash Settled Incentive Plans.

e) Derivative financial asset /liability

Risk management contracts are initially recognized at fair value on the date a derivative contract is entered into and are remeasured at their fair value at each subsequent reporting date. The fair value of the risk management contract on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions.

5. Accounts Receivable

	December 31, 2023	December 31, 2022
Trade receivables	**$ 105,625**	$ 113,176
Value added taxes (VAT)	**12,942**	4,782
	$ 118,567	$ 117,958

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is $13.0 million as at December 31, 2023 (December 31, 2022 - $4.8 million). All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Crude Oil Inventory

	December 31, 2023	December 31, 2022
Crude oil inventory	**$ 4,254**	$ 4,633

Crude oil inventory consists of crude oil in transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location. During 2023, $704.4 million (year ended December 31, 2022 - $653.9 million) of produced crude oil inventory cost was expensed to the consolidated statements of comprehensive income. Purchased crude oil is sold immediately. The cost associated with purchased oil is shown in the consolidated statements of comprehensive income as purchased oil expense.

7. Exploration and Evaluation Assets

Cost		
Balance at December 31, 2021	**$**	**95,496**
Additions and transfers		122,273
Changes in decommissioning liability		1,370
Exploration and evaluation impairment		(103,394)
Balance at December 31, 2022	**$**	**115,745**
Additions and transfers		172,410
Changes in decommissioning liability		6,293
Exploration and evaluation impairment		(82,858)
Balance at December 31, 2023	**$**	**211,590**

Additions and Transfers

E&E assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. During the year ended December 31, 2023 additions of $172.4 million (year ended December 31, 2022 - $122.3 million) represent the Company's share of costs incurred on E&E assets during the period. For the year ended December 31, 2023 $2.3 million of general and administrative costs (year ended December 31, 2022 - $1.0 million) have been capitalized in respect of exploration and evaluation activities during the current period.

2023 Impairments

During 2023, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the VIM-43 and LLA-134 blocks for costs related to exploration wells which indicated non-economic results, the Company also has plans to relinquish the LLA-134 block. In addition, impairment includes LLA-81 block costs that were impaired on transfer to property, plant and equipment as the carrying amount exceeded its recoverable amount. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for VIM-43 and LLA-134 block assets and $12.3 million for LLA-81 block assets. It was determined that the impairment was $82.9 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2023.

2022 Impairments

During 2022, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the Fortuna block costs and the CPO-11 block costs related to exploration wells which indicated non-economic results and the Company has plans to relinquish the block. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for these assets. It was determined that the impairment was $103.4 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2022.

The fair value less cost of disposal approach requires assumptions which are level 3 inputs.

At December 31, 2023 and December 31, 2022, the Company did not have any E&E assets in Canada.

8. Property, Plant and Equipment

	Canada	Colombia	Total
Cost			
Balance at December 31, 2021	**$ 11,886**	**$ 2,658,714**	**$ 2,670,600**
Additions and transfers	2,078	387,901	389,979
Right-of-use asset addition (non-cash)	1,832	1,100	2,932
Changes in decommissioning and environmental liability	—	3,384	3,384
Balance at December 31, 2022	**15,796**	**3,051,099**	**3,066,895**
Additions and transfers	1,816	309,117	310,933
Changes in decommissioning and environmental liability	—	25,721	25,721
Balance at December 31, 2023	**$ 17,612**	**$ 3,385,937**	**$ 3,403,549**
Accumulated Depreciation, Depletion and Amortization			
Balance at December 31, 2021	**$ 6,297**	**$ 1,654,932**	**$ 1,661,229**
Depletion and depreciation for the year	801	147,801	148,602
Depreciation - Right-of-use asset	749	—	749
DD&A included in crude oil inventory costing	—	920	920
Balance at December 31, 2022	**7,847**	**1,803,653**	**1,811,500**
Depletion and depreciation for the year	1,164	192,225	193,389
Depreciation - Right-of-use asset	767	73	840
DD&A included in crude oil inventory costing	—	(37)	(37)
Property, plant and equipment impairment	—	59,682	59,682
Balance at December 31, 2023	**$ 9,778**	**$ 2,055,596**	**$ 2,065,374**
Net book value:			
As at December 31, 2021	$ 5,589	$ 1,003,782	$ 1,009,371
As at December 31, 2022	$ 7,949	$ 1,247,446	$ 1,255,395
As at December 31, 2023	**$ 7,834**	**$ 1,330,341**	**$ 1,338,175**

Additions and Transfers

During 2023, property, plant and equipment ("PPE") additions of $310.9 million mainly relate to drilling costs in Colombia at Blocks LLA-26, LLA-34, Cabrestero and Capachos and facility costs at Blocks LLA-34, LLA-40, Cabrestero, Capachos and VIM-1.

During the year ended December 31, 2022, additions of $390.0 million mainly related to drilling costs in Colombia at Blocks LLA-26, LLA-34, LLA-40, Cabrestero, Capachos, Fortuna, VIM-1 and Boranda and facility costs at Block LLA-34, Cabrestero, Capachos and VIM-1.

For the year ended December 31, 2023 future development costs of $409.5 million (year ended December 31, 2022 - $524.7 million) were included in the depletion calculation for development and production assets. For the year ended December 31, 2023 $7.1 million of general and administrative costs (year ended December 31, 2022 - $8.6 million) have been capitalized in respect of development and production activities during the current period.

Impairments

The carrying amounts of the Company's PP&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. A revision of the estimation of the total proved and probable reserves in the Boranda/Fortuna CGU in the Magdalena Basin at year-end evidenced a decline as compared to the prior year estimation. Management considered this to be an indicator of impairment and carried out an impairment review of this CGU. No impairment indicators were noted in the other CGUs.

2023

The Company determined that the carrying amount of the Boranda/Fortuna CGU in the Magdalena Basin exceeded its recoverable amount and an impairment of $59.7 million was recorded in the consolidated statements of comprehensive income for the three month period ended December 31, 2023. All other CGU's were found to have recoverable amounts greater than carrying amounts. The recoverable amount was determined using fair value less cost of disposal. The fair value less cost of disposal approach requires assumptions which are level 3 inputs.

The fair value was determined using discounted future after tax net cash flows of proved plus probable reserves using forecast prices and costs prepared by the Company's independent qualified reserve evaluators at December 31, 2023. Refer to note 12 – Goodwill for the future crude oil prices used by Parex's independent reserve evaluator. There are no E&E assets associated with this CGU. Future cash flows were discounted using a rate of 14%. As at December 31, 2023, the recoverable amount of the Boranda/Fortuna CGU was estimated to be $40.9 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment.

2022

At December 31, 2022 there were no indicators of impairment noted or indicators requiring a reversal of previously recorded impairments.

9. Long-term Inventory

The Company has long-lead material inventory such as drill casing, natural gas compressors, and other major equipment.

Cost		
Balance at December 31, 2021	**$**	**25,005**
Additions		186,080
Transfers to E&E and PP&E assets		(45,814)
Balance at December 31, 2022	**$**	**165,271**
Additions		114,803
Transfers to E&E and PP&E assets		(75,373)
Balance at December 31, 2023	**$**	**204,701**

10. Bank Debt

	December 31, 2023	December 31, 2022
Bank debt	**$ 90,000**	$ —

The Company has a senior secured credit facility with a syndicate of banks which at December 31, 2023 had a borrowing base of $200.0 million (December 31, 2022 - $200.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2023, $90.0 million (December 31, 2022 - $nil) was drawn on the credit facility.

The credit facility bears interest based in the following manner:
(i) each SOFR based Loan will bear interest at a rate per annum equal to SOFR plus the applicable margin indicated in the pricing table in the agreement; payable on repayment date in arrears; and
(ii) each U.S. Base Rate Loan will bear interest at a variable rate of interest per annum equal to the U.S. Base Rate plus the applicable margin indicated in the pricing table in the agreement; payable quarterly in arrears;
(iii) each Canadian Prime Rate Loan will bear interest at a variable rate of interest per annum equal to the Canadian Prime Rate plus the applicable margin indicated in the pricing table in the agreement; payable quarterly in arrears; and
(iv) the commitment fees payable quarterly in arrears will be calculated based in the pricing table in the agreement.

The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2025. The next annual review is scheduled to occur in May 2024.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. The Company was in compliance with all key covenants at December 31, 2023.

The Company has also provided a general security agreement to Export Development Canada ("EDC") in connection with the performance security guarantees that support letters of credit provided to the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions (see note 26 - Commitments and Contingencies). This performance guarantee facility has a limit of $150.0 million (December 31, 2022 - limit of $150.0 million) of which $8.0 million is utilized at December 31, 2023 (December 31, 2022 - $9.4 million). At December 31, 2023, there is an additional $133.0 million (December 31, 2022 - $119.7 million) of letters of credit that are provided by select Latin American banks on an unsecured basis.

11. Lease Obligation

The Company has the following future commitments associated with its office lease obligation:

		Canada		Colombia		Total
Balance at December 31, 2021	**$**	**5,079**	**$**	**–**	**$**	**5,079**
Additions		1,832		1,100		2,932
Interest expense		46		34		80
Lease payments		(729)		(36)		(765)
Foreign exchange (gain)		(449)		(43)		(492)
Balance at December 31, 2022	**$**	**5,779**	**$**	**1,055**	**$**	**6,834**
Interest expense		43		151		194
Lease payments		(746)		(160)		(906)
Foreign exchange loss		78		270		348
Balance at December 31, 2023	**$**	**5,154**	**$**	**1,316**	**$**	**6,470**
Current obligation		**(722)**		**(12)**		**(734)**
Long-term obligation	**$**	**4,432**	**$**	**1,304**	**$**	**5,736**

The consolidated statements of comprehensive income for the year ended December 31, 2023 includes expenses related to leases as follows: $0.2 million (year ended December 31, 2022 - $0.1 million) of interest expense related to the lease obligation, $0.8 million (year ended December 31, 2022 - $0.7 million) of depreciation for right-of-use assets, $0.8 million (year ended December 31, 2022 - $0.7 million) of non-lease components associated with the office lease obligation and $2.2 million (year ended December 31, 2022 - $1.3 million) related to short-term and low value leases.

Total cash outflows related to the office lease obligation were $2.5 million for the year ended December 31, 2023 (year ended December 31, 2022 - $2.2 million).

During the year ended December 31, 2022, the Company had included an addition for the Canada office lease where the Company had signed a new agreement for additional office space and an addition in Colombia for the lease related to a solar farm power generation system on the Cabrestero block.

12. Goodwill

	December 31, 2023	December 31, 2022
Goodwill	**$ 73,452**	$ 73,452

Impairment test of goodwill

The Company performed its annual test for goodwill impairment at the balance sheet date in accordance with its policy described in note 3 - Summary of Significant Accounting Policies. The Company has allocated goodwill to the Colombia operating segment.

The estimated fair value less costs of disposal of the Colombia operating segment exceeded the carrying value. As a result, no goodwill impairment was recorded.

Valuation Techniques

The recoverable amount of the group of CGUs to which the goodwill was assigned is based on fair value less costs of disposal. The technique used in determining the recoverable amount is based on the net present value of the after-tax cash flows from oil and gas reserves of the group of CGU's based on reserves estimated by Parex's independent reserve evaluator and the fair value of undeveloped land based on estimates with consideration given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant group of CGU's. The discounting process uses a rate of return that is commensurate with the risk associated with the assets and the time value of money. This approach requires assumptions about revenue, future oil prices, tax rates and discount rates, all of which are level 3 inputs.

Significant Assumptions

Oil Reserves

Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

Future Oil Prices

Oil forward price estimates are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors. The future oil prices used in the model are based on a forecast of crude oil prices by Parex's independent reserve evaluator.

Prices used at December 31, 2023 are as follows:

	2024	2025	2026	2027	2028	Thereafter
Brent ($US/bbl)	77.00	79.50	81.49	82.58	84.19	2% increase per year
WTI ($US/bbl)	72.50	75.00	76.99	78.53	80.10	2% increase per year

Prices used at December 31, 2022 are as follows:

	2023	2024	2025	2026	2027	Thereafter
Brent ($US/bbl)	80.00	80.50	81.50	82.00	82.53	2% increase per year
WTI ($US/bbl)	75.00	75.00	75.43	76.94	78.48	2% increase per year

Discount Rate

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Its determination requires separate analysis of the cost of equity and debt and considers a risk premium based on an assessment of risks related to the projected cash flows of the group of Colombia based CGUs whose revenues are denominated in USD. The after tax discount rate used in performing the impairment test was 14% (year ended December 31, 2022 - 14%).

The fair value of the group of Colombian CGUs was in excess of its carrying value. Based on sensitivity analysis, no reasonably possible change in discount rate assumptions would cause the carrying amount of the group of Colombia CGUs to exceed its recoverable amount.

13. Oil and Natural Gas Sales

The Company's oil and natural gas production sales is determined pursuant to the terms of the revenue agreements. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The Company's oil and natural gas sales by product are as follows:

For the year ended December 31,		**2023**		2022
Crude oil	**$**	**1,402,331**	$	1,622,707
Natural gas		**10,096**		20,882
Oil and natural gas sales		**1,412,427**		1,643,589
Other revenue		**2,125**		—
Revenue	**$**	**1,414,552**	$	1,643,589

At December 31, 2023, receivables from contracts with customers, which are included in accounts receivable, were $105.6 million (December 31, 2022 - $113.2 million).

14. Net Finance Expense

For the year ended December 31,		**2023**		2022
Bank charges and credit facility fees	**$**	**5,524**	$	3,875
Accretion on decommissioning and environmental liabilities		**8,701**		5,807
Interest and other income		**(14,520)**		(9,015)
Right of use asset interest		**194**		80
Loss on settlement of decommissioning liabilities		**199**		532
Expected credit loss (recovery) provision		**(421)**		(557)
Other		**2,219**		(29)
Net finance expense	**$**	**1,896**	$	693

For the year ended December 31,		**2023**		2022
Non-cash finance expense	**$**	**8,546**	$	5,580
Cash finance (income) expense		**(6,650)**		(4,887)
Net finance expense	**$**	**1,896**	$	693

15. Cash Settled Share-Based Compensation Liabilities

Cash settled share-based compensation liabilities are comprised of the following:

		December 31, 2023		December 31, 2022
Long-term DSUs payable	**$**	**5,515**	$	4,460
Long-term CRSUs payable		**2,404**		2,135
Long-term CosRSUs and CosPSUs payable		**8,365**		6,537
Total cash settled-share based compensation payable	**$**	**16,284**	$	13,132

16. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2021	$ 36,730	$ 18,224	$ 54,954
Additions	5,330	3,266	8,596
Settlements of obligations during the year	(2,871)	(822)	(3,693)
Loss on settlement of obligations	532	—	532
Accretion expense	3,663	2,144	5,807
Change in estimate - inflation and discount rates	(12,504)	(5,233)	(17,737)
Change in estimate - costs	13,733	162	13,895
Foreign exchange (gain)	(5,795)	(3,267)	(9,062)
Balance, December 31, 2022	$ 38,818	$ 14,474	$ 53,292
Additions	9,676	1,379	11,055
Settlements of obligations during the year	(3,110)	(3,695)	(6,805)
Loss on settlement of obligations	199	—	199
Accretion expense	6,098	2,603	8,701
Change in estimate - inflation and discount rates	17,592	2,316	19,908
Change in estimate - costs	(1,331)	2,382	1,051
Foreign exchange loss	3,581	4,750	8,331
Balance, December 31, 2023	**71,523**	**24,209**	**95,732**
Current obligation	(3,000)	(3,000)	(6,000)
Long-term obligation	**$ 68,523**	**$ 21,209**	**$ 89,732**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at December 31, 2023, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $201.4 million as at December 31, 2023 (December 31, 2022 – $147.6 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 9.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2022 – 14% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used in 2023 and 2022 are based on forecast Colombia rates.

Included in the decommissioning liability is $3.0 million (December 31, 2022 – $5.5 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $33.4 million as at December 31, 2023 (December 31, 2022 – $19.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 9.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2022 – 14% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used in 2023 and 2022 are based on forecast Colombia rates.

Included in the environmental liability is $3.0 million (December 31, 2022 – $1.2 million) that is classified as a current obligation.

17. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2021	120,265,664	$	731,713
Issued for cash – exercise of options and RSUs	667,159		5,660
Allocation of contributed surplus – exercise of options and RSUs	—		5,424
Repurchase of shares	(11,820,533)		(60,079)
Balance, December 31, 2022	109,112,290	$	682,718
Issued for cash – exercise of options and RSUs	327,528		3,827
Allocation of contributed surplus – exercise of options and RSUs	—		2,129
Repurchase of shares	(5,628,100)		(27,857)
Balance, December 31, 2023	**103,811,718**	**$**	**660,817**

The Company has authorized an unlimited number of voting common shares without nominal or par value.

In 2023, a total of 327,528 options and RSUs were exercised for proceeds of $3.8 million (year ended December 31, 2022 - 667,159 options and RSUs were exercised for $5.7 million).

In 2023, the Company repurchased 5,628,100 common shares pursuant to its Normal Course Issuer Bid for $105.1 million at an average cost per share of Cdn$25.16 (year ended December 31, 2022 - 11,820,533 common shares repurchased for $221.5 million at an average cost per share of Cdn$24.08). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

Dividends paid in 2023 were $118.7 million or Cdn$1.50 per share (2022 - $75.5 million or Cdn$0.89 per share) to shareholders on record for each dividend payment.

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's officers and certain employees to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 5% of the number of common shares issued and outstanding. The stock options vest over a three-year period and expire five years from the date of grant.

	Number of options	Weighted average exercise price Cdn$/option
Balance, December 31, 2021	995,132	19.36
Granted	172,103	27.01
Exercised	(409,187)	17.47
Balance, December 31, 2022	758,048	22.12
Granted	196,583	22.77
Exercised	(263,986)	19.47
Balance, December 31, 2023	**690,645**	**23.32**

Stock options outstanding and the weighted average remaining life of the stock options at December 31, 2023 are as follows:

	Options outstanding			Options vested		
Exercise price Cdn$	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option
$18.24 - $21.92	176,080	1.85	21.25	116,153	1.72	21.04
$21.93 - $22.41	140,334	1.11	22.18	140,334	1.11	22.18
$22.42 - $24.12	202,128	4.05	22.77	3,696	2.24	22.64
$24.13 - $26.44	3,892	3.43	25.68	1,297	3.43	25.68
$26.45 - $28.39	168,211	3.11	27.04	56,058	3.11	27.04
	690,645	**2.66**	**23.32**	**317,538**	**1.71**	**22.64**

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the year ended December 31,	**2023**	2022
Risk-free interest rate (%)	**3.38**	1.58
Expected life (years)	**4**	4
Expected volatility (%)	**48**	48
Forfeiture rate (%)	**3**	3
Expected dividends	**6.01**	4.96

The weighted average fair value at the grant date for the year ended December 31, 2023 was Cdn$5.97 per option (year ended December 31, 2022 – Cdn$10.42 per option). The weighted average share price on the exercise date for options exercised in 2023 was Cdn$24.37 (year ended December 31, 2022 – Cdn$26.15).

c) Restricted share units

Pursuant to the restricted share unit plan, the Company had an RSU plan that provided grants of restricted share units to certain employees. The plan was extinguished during the first quarter of 2023 and was replaced with the CosRSU plan.

d) Equity settled share-based compensation

For the year ended December 31,		**2023**		2022
Option expense	**$**	**1,043**	$	1,228
Total equity settled share-based compensation expense	**$**	**1,043**	$	1,228

18. Cash Settled Incentive Plans

a) Cash or share settled Restricted Share Units and Performance Share Units ("CosRSUs and CosPSUs")

The Company has in place a Cash or share settled RSU/PSU incentive plan. This plan provides for the issuance of RSUs and PSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise or the employee can elect to receive the award in Parex common shares. CosRSUs and CosPSUs vest over a three-year period and are exercised at the vest date.

CosRSU:

	Number of CosRSUs
Balance, December 31, 2021	1,196,332
Granted[(1)]	581,226
Exercised	(602,568)
Forfeited	(23,286)
Balance, December 31, 2022	1,151,704
Granted[(1)]	676,119
Exercised	(582,105)
Forfeited	(9,203)
Balance, December 31, 2023	**1,236,515**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

CosPSU:

	Number of CosPSUs
Balance, December 31, 2021	701,001
Granted[(1)]	249,673
Granted by performance factor	146,232
Exercised	(372,716)
Forfeited	(2,004)
Balance, December 31, 2022	722,186
Granted[(1)]	328,679
Granted by performance factor	(19,468)
Exercised	(209,532)
Balance, December 31, 2023	**821,865**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

As at December 31, 2023, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the year ended December 31, 2023 was Cdn$22.99 per CosRSU and CosPSU (year ended December 31, 2022 - Cdn$18.12 per CosRSU and CosPSU).

Pursuant to the cash or share settled restricted share unit and performance share unit plan, the Company has granted cash or share settled performance share units to certain employees. The CosPSUs vest three years after the grant date. CosPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a predetermined adjustment factor of between 0-2x is applied to CosPSUs eligible to vest at the end of the performance period. In March 2023 the board of directors approved a multiplier of 0.93X be applied to the 2020 CosPSU grant resulting in 19,468 CosPSU's reduction. In March 2022 the board of directors approved a multiplier of 1.64X be applied to the 2019 CosPSU grant resulting in 146,232 CosPSU's issued.

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at December 31, 2023, the total CosRSUs and CosPSUs liability accrued is $24.7 million (December 31, 2022 - $17.1 million) of which $8.4 million (December 31, 2022 - $6.5 million) is classified as long-term in accordance with the three-year vesting period.

b) Deferred share units ("DSUs")

The Company has in place a deferred share unit plan pursuant to which the Company may grant deferred shares to all non-employee directors. The deferred share units vest immediately and are settled in cash upon the retirement of the non-employee director from the Parex Board. The value of the DSUs at the exercise date is equivalent to the five day weighted average share price at which the common shares of the Company traded for immediately preceding the exercise date. DSUs can only be redeemed following retirement from the Board of Directors of the Company in accordance with the terms of the DSU Plan. The DSUs liability cannot be settled by the issuance of common shares.

	Number of DSU's	Weighted average exercise price Cdn$/DSU
Balance, December 31, 2021	255,528	—
Granted[(1)]	44,237	—
Balance, December 31, 2022	299,765	—
Granted[(1)]	43,529	—
Exercised on board retirement	(30,000)	—
Balance, December 31, 2023	**313,294**	—

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The fair value at the grant date is equivalent to the five day weighted average share price at which the common shares of the Company traded for immediately preceding the grant date. The weighted average fair value at the grant date for the year ended December 31, 2023 was Cdn$27.77 per DSU (year ended December 31, 2022 - Cdn$23.79 per DSU).

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU. As at December 31, 2023 the total DSUs liability accrued is $5.9 million (December 31, 2022 - $4.5 million) of which $5.5 million (December 31, 2022 - $4.5 million) is classified as long-term in accordance with the terms of the DSU plan.

c) Cash settled restricted share units ("CRSUs")

Parex Colombia has a CRSUs plan that provides for the issuance of CRSUs to certain employees of Parex Colombia. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise. CRSUs vest over a three-year period and are exercised at the vest date. The CRSUs liability cannot be settled by the issuance of common shares.

	Number of CRSUs	Weighted average exercise price Cdn$/CRSU
Balance, December 31, 2021	818,929	—
Granted[(1)]	399,854	—
Exercised	(425,924)	—
Forfeited	(35,219)	—
Balance, December 31, 2022	757,640	—
Granted[(1)]	344,653	—
Exercised	(377,086)	—
Forfeited	(46,095)	—
Balance, December 31, 2023	**679,112**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The weighted average fair value at the grant date for the year ended December 31, 2023 was Cdn$22.94 per CRSU (year ended December 31, 2022 - Cdn$18.02 per CRSU).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at December 31, 2023, the total CRSUs liability accrued is $8.0 million (December 31, 2022 - $6.8 million) of which $2.4 million (December 31, 2022 - $2.1 million) is classified as long-term in accordance with the three-year vesting period.

d) Cash settled share-based compensation

For the year ended December 31,		**2023**		2022
CosRSUs and CosPSUs expense	**$**	**21,550**	$	14,919
DSUs expense		**2,091**		104
CRSUs expense		**5,680**		2,908
SARs (recovery)		**—**		(31)
Total cash settled share-based compensation expense	**$**	**29,321**	$	17,900
Cash payments made upon exercise	**$**	**20,988**	$	28,654

19. Income Tax

The components of tax expense for 2023 and 2022 were as follows:

For the year ended December 31,		2023		2022
Current tax expense	**$**	**147,595**	$	345,599
Adjustments in respect of prior period		**8,088**		438
Total current tax expense	**$**	**155,683**	$	346,037
Deferred tax (recovery)		**(160,753)**		(154,239)
Total tax (recovery) expense	**$**	**(5,070)**	$	191,798

In December 2021, the Organization for Economic Co-operation and Development ("OECD") issued model rules for new global minimum tax framework ("Pillar Two"). In May 2023, the IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12") to address Pillar Two, which provide clarity on the impacts and additional disclosure requirements once legislation is substantively enacted. Parex has applied the mandatory temporary exemption of IAS 12 and in turn, has not recognized the impacts of Pillar Two in the deferred tax calculation. The Company is not expecting a material impact as a result of Pillar Two.

Factors affecting tax expense for the year

The standard Colombian corporate income tax rate for 2023 was 35% plus an applicable 10% surtax as Parex is an oil producing entity under Colombian law. The total Colombian corporate tax rate for 2023 is 45% (year ended December 31, 2022 – 35%). The following is a reconciliation of income taxes calculated at the Colombian corporate tax rate to the tax expense for 2023 and 2022:

For the year ended December 31,		2023		2022
Income before tax	**$**	**454,239**	$	803,166
Income before tax multiplied by the standard rate of Colombian corporate tax of 45% (2022 – 35%)		**204,408**		281,108
Effects of:				
Income taxes recorded at rates different from the Colombian tax rate		**33,775**		(173,172)
Impact of Colombian tax rate changes		**(2,555)**		7,698
Impact of deferred tax rate changes		**—**		17,183
Non-deductible expense and other permanent differences		**69,930**		5,969
Share-based compensation		**240**		282
Adjustment in respect of prior period		**(1,444)**		(2,920)
Foreign exchange impact on tax pools denominated in foreign currency		**(307,296)**		55,564
Change in unrecognized deferred tax assets		**(2,128)**		86
Total tax expense	**$**	**(5,070)**	$	191,798

Colombian current tax rates are as follows: 35% for 2023; and 35% thereafter plus an applicable surtax for Colombian oil producing companies of between 0% to 15% dependent on the price of Brent crude relative to historical averages.

The analysis of deferred income tax assets as follows:

		December 31, 2023		December 31, 2022
Deferred tax assets to be settled within 12 months	**$**	**1,303**	$	1,113
Deferred tax assets to be settled after more than 12 months		**245,375**		109,795
Deferred income tax assets	**$**	**246,678**	$	110,908

The analysis of deferred income tax liabilities as follows:

		December 31, 2023		December 31, 2022
Deferred tax liabilities (asset) to be settled within 12 months	**$**	**—**	$	1,381
Deferred tax liabilities to be settled after more than 12 months	**$**	**—**		23,603
Deferred income tax liability	**$**	**—**	$	24,984
Net deferred tax (asset)	**$**	**(246,678)**	$	(85,924)

The deferred income tax liabilities and assets to be settled (recovered) within 12 months represents management's estimate of the timing of the reversal of temporary differences and does not correlate to the current income tax expense of the subsequent year.

The movement during the year in the deferred income tax (liabilities) assets and the net components is as follows:

Deferred Tax (Liability)	December 31, 2023	Charged (credited) to the statement of comprehensive income	December 31, 2022	Charged (credited) to the statement of comprehensive income
PP&E	**$ —**	$ 41,039	$ (41,039)	$ 57,748
Decommissioning liability	**—**	(11,746)	11,746	(7,488)
Cash-settled equity based compensation	**—**	(2,928)	2,928	(195)
Other	**—**	(1,381)	1,381	125
Balance, end of period	**$ —**	$ 24,984	$ (24,984)	$ 50,190

The movement during the year in the deferred income tax assets and the net components is as follows:

Deferred Tax Asset	December 31, 2023	Charged (credited) to the statement of comprehensive income	December 31, 2022	Charged (credited) to the statement of comprehensive income
PP&E	**$ 192,532**	$ 100,262	$ 92,270	$ 93,456
Loss carry forwards	**–**	—	—	(466)
Decommissioning liability	**41,165**	29,996	11,169	11,169
Other	**12,981**	5,512	7,469	(110)
Balance, end of period	**$ 246,678**	$ 135,770	$ 110,908	$ 104,049

The Company has losses as well as other cumulative tax deductions in excess of book value in Canada available to reduce future taxable income in future years. At December 31, 2023 the deferred tax asset amount recorded in Canada is $7.0 million. The Company did not recognize deferred income tax assets on capital losses and other items in Canada of $32.0 million. Non-capital losses in Canada expire in 20 years and capital losses carry-forward indefinitely. The Company does not have losses available in Colombia. Amounts denominated in foreign currency have been translated at the December 31, 2023 exchange rate. At December 31, 2023 the Company had the following losses carry-forward:

	Canada
Year of expiry	
Indefinitely	$ 157,222
	$ 157,222

Earnings retained by subsidiaries amounted to $2,332.8 million at December 31, 2023 (December 31, 2022 - $1,617.2 million). No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings as it is not expected that they will be remitted in the foreseeable future.

20. Net income per Share

a) Basic net income per share

For the year ended December 31,	**2023**	2022
Net income		
Net income for the purpose of basic net income per share	**$ 459,309**	$ 611,368
Weighted average number of shares for the purposes of basic net income per share (000's)	**106,247**	113,572
Basic net income per share	**$ 4.32**	$ 5.38

b) Diluted net income per share

For the year ended December 31,		2023		2022
Net income				
Net income used to calculate diluted net income per share	**$**	**459,309**	$	611,368
Weighted average number of shares for the purposes of basic net income per share (000's)		**106,247**		113,572
Dilutive effect of share options and RSUs on potential common shares		**48**		89
Weighted average number of shares for the purposes of diluted net income per share		**106,295**		113,661
Diluted net income per share	**$**	**4.32**	$	5.38

For the year ended December 31, 2023, 191,416 stock options (December 31, 2022 - 182,467) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

21. Supplemental Disclosure of Cash Flow Information

a) Reconciliation of cash and cash equivalents and restricted cash and cash equivalents

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the amounts shown in the consolidated statement of cash flows:

For the year ended December 31,		2023		2022
Cash and cash equivalents	**$**	**140,352**	$	419,002
Restricted cash and cash equivalents - long-term[(1)]		**3,556**		—
	$	**143,908**	$	419,002

(1) Included in Other long-term assets on the consolidated balance sheet.

b) Net change in non-cash working capital

For the year ended December 31,		2023		2022
Accounts receivable	**$**	**(609)**	$	64,191
Prepaids and other current assets		**7,019**		(39,843)
Crude oil inventory		**379**		(3,248)
Accounts payable and accrued liabilities		**(304,000)**		254,802
Depletion related to crude oil inventory		**(37)**		920
Decommissioning and environmental liabilities		**(6,805)**		(3,693)
Net change in non-cash working capital	**$**	**(304,053)**	$	273,129
Operating	**$**	**(291,311)**	$	258,712
Investing		**(12,742)**		14,417
Net change in non-cash working capital	**$**	**(304,053)**	$	273,129

c) Interest and taxes paid

For the year ended December 31,		2023		2022
Cash interest paid	**$**	**—**	$	—
Cash income taxes paid	**$**	**245,423**	$	30,587

22. Employee Salaries and Benefit Expenses

For the year ended December 31,		2023		2022
Salaries, bonuses and other short-term benefits	**$**	**47,832**	$	39,746
Equity settled share-based compensation		**1,043**		1,228
Cash settled share-based compensation		**29,321**		17,900
	$	**78,196**	$	58,874

Employee salaries, bonuses and short-term benefits are included in general and administrative expenses in the consolidated statements of comprehensive income. Stock option, CosRSUs, CosPSUs, CRSUs and DSUs expense are included in share-based compensation expense in the consolidated statements of comprehensive income.

23. Capital Management

The Company's strategy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain the confidence of investors and capital markets.

The Company has a senior secured credit facility with a syndicate of banks which at December 31, 2023 had a borrowing base in the amount of $200.0 million (December 31, 2022 - $200.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2023, $90.0 million (December 31, 2022 - $nil) was drawn on the credit facility.

The Company has also provided a general security agreement to Export Development Canada ("EDC") in connection with the performance security guarantees that support letters of credit provided to the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions (see note 26 - Commitments and Contingencies). This performance guarantee facility has a limit of $150.0 million (December 31, 2022 - limit of $150.0 million) of which $8.0 million is utilized at December 31, 2023 (December 31, 2022 - $9.4 million). At December 31, 2023, there is an additional $133.0 million (December 31, 2022 - $119.7 million) of letters of credit that are provided by select Latin American banks on an unsecured basis.

As at December 31, 2023 the Company's net working capital surplus was $79.0 million (December 31, 2022 - $85.0 million), of which $140.4 million is cash.

The Company has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure and share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity, the credit facility and its working capital. As at December 31, 2023 shareholders' equity was $1,955.4 million (December 31, 2022 - $1,715.0 million).

24. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity. The fair value of the revolving credit facility is equal to its carrying amount as the facility bears interest at floating rates and the credit spreads within the facility are indicative of market rates.

Long-term financial instruments of the Company carried on the consolidated balance sheet are carried at amortized cost. Financial derivative instruments, specifically fixed price contracts, are carried at fair value.

The fair value of the Company's financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

Level 1 – quoted prices in active markets for identical financial instruments.
Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's financial derivative instruments have been classified as level 2 based on the fair value hierarchy described above. The Company used the following techniques to determine the fair value measurements: Crude oil and foreign currency contracts are recorded at their estimated fair value based on the difference between the contracted price and the period end forward price for the same commodity and foreign currency, using quoted market prices or the period end forward price for the same commodity and foreign currency, extrapolated to the end of the contract term.

As at December 31, 2023, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Canadian dollar and COP against the US dollar would have decreased (increased) net income by approximately $8.5 million.

a) Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money do not meet their obligations. The Company assesses the financial strength of its joint venture partners and oil marketing counterparties in its management of credit exposure.

The Company for the year ended December 31, 2023 had the majority of its oil sales to 4 counterparties. Accounts receivable balance as at December 31, 2023 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At December 31, 2023 there are no accounts receivable past due (December 31, 2022 - $nil).

As at December 31, 2023 and 2022 the Company's accounts receivable are aged as follows:

For the year ended December 31,		**2023**		2022
Current (less than 90 days)	**$**	**118,567**	$	117,958
Past due (more than 90 days)		**—**		—
Total	**$**	**118,567**	$	117,958

None of the Company's receivables are impaired at December 31, 2023. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $200.0 million credit facility at December 31, 2023 was $90.0 million (December 31, 2022 - $nil).

The following are the contractual maturities of financial liabilities at December 31, 2023:

	Less than 1 year	**2-3 Years**	**4-5 Years**	**Thereafter**		**Total**
Accounts payable and accrued liabilities	229,063	—	—	—	$	229,063
Bank debt	—	90,000	—	—		90,000
Lease obligation	734	5,736	—	—		6,470
Cash settled equity plans payable	22,351	16,284	—	—		38,635
Total	**$ 252,148**	**112,020**	**—**	**—**	**$**	**364,168**

The following are the contractual maturities of financial liabilities at December 31, 2022:

	Less than 1 year	**2-3 Years**	**4-5 Years**	**Thereafter**		**Total**
Accounts payable and accrued liabilities[(1)]	$ 292,062	—	—	—	$	292,062
Current income tax payable	193,854	—	—	—		193,854
Lease obligation	755	6,079	—	—		6,834
Cash settled equity plans payable	15,223	13,132	—	—		28,355
Total	$ 501,894	19,211	—	—	$	521,105

(1) Includes the liability for derivative financial instruments.

c) Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to the prices received for its oil production. Crude oil is sensitive to numerous worldwide factors, many of which are beyond the Company's control. Changes in global supply and demand fundamentals in the crude oil market and geopolitical events can significantly affect crude oil prices. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company's oil production is sold under short-term contracts, exposing it to the risk of near-term price movements.

As at December 31, 2023 the Company had no outstanding commodity price risk management contracts.

d) Foreign currency risk

The Company is exposed to foreign currency risk as various portions of its cash balances are held in Canadian dollars (Cdn$) and Colombian pesos (COP$) while its committed capital expenditures are expected to be primarily denominated in US dollars.

As at December 31, 2023 the Company had no outstanding foreign currency risk management contracts.

The following is a summary of the foreign currency risk management contracts put in place since December 31, 2023:

Period Hedged	Reference	Currency Option Type	Amount CAD	Strike Adjustment CAD
January 24, 2024 to February 15, 2024	CAD	Strike Forward	$15,000,000	-0.0015
January 24, 2024 to March 27, 2024	CAD	Strike Forward	$37,000,000	-0.0025

The table below summarizes the (gain) loss on the foreign currency risk management contracts that were in place during the year ended December 31, 2023 and 2022:

For the year ended December 31,		2023		2022
Unrealized (gain) loss on foreign currency risk management contracts	**$**	**(1,278)**	$	807
Realized gain on foreign currency risk management contracts		**(4,831)**		—
Total	**$**	**(6,109)**	$	807

25. Segmented Information

The Company has foreign subsidiaries and the following segmented information is provided:

For the year ended December 31, 2023		Canada		Colombia		Total
Oil and natural gas sales	$	—	$	1,414,552	$	1,414,552
Royalties		—		(244,703)		(244,703)
Revenue		—		1,169,849		1,169,849
Expenses						
Production		—		207,129		207,129
Transportation		—		68,306		68,306
Purchased oil		—		4,583		4,583
General and administrative		36,164		24,913		61,077
Impairment of property, plant and equipment assets		—		59,682		59,682
Impairment of exploration and evaluation assets		—		82,858		82,858
Equity settled share-based compensation expense		1,043		—		1,043
Cash settled share-based compensation expense		23,640		5,681		29,321
Depletion, depreciation and amortization		1,931		192,298		194,229
Foreign exchange loss (gain)		(278)		5,764		5,486
		62,500		651,214		713,714
Finance (income)		(3,973)		(10,547)		(14,520)
Finance expense		2,551		13,865		16,416
Net finance expense (income)		(1,422)		3,318		1,896
Income (loss) before taxes		(61,078)		515,317		454,239
Current tax expense		5,341		150,342		155,683
Deferred tax (recovery)		(1,945)		(158,808)		(160,753)
Net income (loss)	**$**	**(64,474)**	**$**	**523,783**	**$**	**459,309**
Capital assets (end of year)	$	7,834	$	1,541,931	$	1,549,765
Capital expenditures	$	1,816	$	481,527	$	483,343
Total assets (end of year)	$	107,334	$	2,307,993	$	2,415,327

For the year ended December 31, 2022	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 1,643,589	$ 1,643,589
Royalties	—	(332,895)	(332,895)
Revenue	—	1,310,694	1,310,694
Expenses			
Production	—	129,980	129,980
Transportation	—	61,229	61,229
Purchased oil	—	9,936	9,936
General and administrative	33,106	18,116	51,222
Impairment of exploration and evaluation assets	—	103,394	103,394
Equity settled share-based compensation expense	1,228	—	1,228
Cash settled share-based compensation expense	15,023	2,877	17,900
Depletion, depreciation and amortization	1,520	147,831	149,351
Foreign exchange (gain) loss	1,366	(18,771)	(17,405)
	52,243	454,592	506,835
Finance (income)	(2,684)	(6,331)	(9,015)
Finance expense	1,562	8,146	9,708
Net finance expense (income)	(1,122)	1,815	693
Income (loss) before taxes	(51,121)	854,287	803,166
Current tax expense	6,632	339,405	346,037
Deferred tax (recovery) expense	2,060	(156,299)	(154,239)
Net income (loss)	**$ (59,813)**	**$ 671,181**	**$ 611,368**
Capital assets (end of year)	$ 7,949	$ 1,363,191	$ 1,371,140
Capital expenditures	$ 2,078	$ 510,174	$ 512,252
Total assets (end of year)	$ 284,476	$ 2,029,897	$ 2,314,373

For the year ended December 31, 2023 and December 31, 2022, the Company had one external customer in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to this customer totaled $1,028.6 million for the year ended December 31, 2023 and $1,235.0 million for the year ended December 31, 2022, respectively.

26. Commitments and Contingencies

a) Colombia

At December 31, 2023 performance guarantees are in place with the ANH for certain blocks. The guarantees are in the form of issued letters of credit totaling $141.0 million (December 31, 2022 - $129.1 million) to support the exploration work commitments in respect of the 39 blocks in Colombia.

At December 31, 2023 EDC has provided the Company's bank with performance security guarantees to support approximately $8.0 million (December 31, 2022 - $9.4 million) of the letters of credit issued on behalf of Parex. The EDC guarantees have been secured by a general security agreement issued by Parex in favour of EDC. The letters of credit issued to the ANH are reduced from time to time to reflect completed work on an ongoing basis. At December 31, 2023, there are an additional $133.0 million (December 31, 2022 - $119.7 million) letters of credit that are provided by a Latin American bank on an unsecured basis.

The value of the Company's exploration commitments as at December 31, 2023 in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements are estimated to be as follows:

(000s)	
2024	$ 21,530
2025	230,793
2026	40,756
Thereafter	164,990
	$ 458,069

b) Operating leases

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations.

The existing minimum lease payments for office space and accommodations at December 31, 2023 are as follows:

(000s)		Total	2024	2025	2026	2027	Thereafter
Office and accommodations	$	6,789	2,076	1,085	840	2,788	—

27. Related Party Disclosures

a) Significant Subsidiaries

The consolidated financial statements include the financial statements of Parex Resources Inc. at December 31, 2023 and 2022. Transactions between subsidiaries are eliminated upon consolidation.

b) Compensation of Key Management Personnel

Key management personnel compensation, including directors, is as follows:

For the year ended December 31,		**2023**		2022
Salaries, directors' fees and other benefits	**$**	**5,448**	$	4,972
Equity settled share-based compensation		**637**		709
Cash settled share-based compensation		**5,841**		7,984
	$	**11,926**	$	13,665

c) Other transactions

The Company did not have any related party transactions with entities outside the consolidated group for the years ended December 31, 2023 and 2022.

28. Subsequent Event

On January 22, 2024, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 10,198,838 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The NCIB will terminate on January 21, 2025. The Company also entered into an automatic share purchase plan with a broker to facilitate repurchases of Common Shares pursuant to the Company's NCIB. Under the Company's automatic share purchase plan, the Company's broker may repurchase Common Shares under the NCIB during the Company's self-imposed blackout periods. The Company has repurchased approximately 0.5 million shares to date in 2024 at an average price of Cdn$21.88 per share, for total consideration of Cdn$11.8 million under the current normal course issuer bid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or the "Company") for the three months and years ended December 31, 2023 and 2022 is dated February 29, 2024 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2023 and 2022 (the "audited consolidated financial statements"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Additional information related to Parex are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated February 29, 2024 (the "AIF"), and may be accessed through the SEDAR+ website at www.sedarplus.ca.

All financial amounts are in United States (US) dollars unless otherwise stated.

Company Profile

Parex is the largest independent oil and gas company in Colombia, focusing on sustainable, conventional production. Parex's corporate headquarters are in Calgary, Canada, and the Company has an operating office in Bogotá, Colombia. Parex is a member of the S&P/TSX Composite ESG Index and its common shares trade on the Toronto Stock Exchange ("TSX") under the symbol PXT.

Abbreviations

Refer to the final page of the MD&A for commonly used abbreviations in the document. Refer to the Advisory on Forward-Looking Statements and Non-GAAP and Other Financial Measures Advisory.

References to crude oil or natural gas production in this MD&A refer to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities ("NI 51-101").*

2023 Highlights

- Annual crude oil and natural gas production in 2023 averaged 54,356 boe/d (99% crude oil and 1% natural gas), an increase of 4% over the 2022 average production of 52,049 boe/d (97% crude oil and 3% natural gas). Production per share*** increased by 12% compared to 2022 primarily as a result of developmental drilling and the reduction of outstanding shares. Refer to "Consolidated Results of Operations" for annual production split by product type.
- Recognized net income of $459.3 million ($4.32 per share basic) for the year ended December 31, 2023 compared to net income of $611.4 million ($5.38 per share basic) in 2022.
- Generated annual funds flow provided by operations ("FFO")* of $667.8 million ($6.29 per share basic**) compared to $724.9 million ($6.38 per share basic) in 2022.
- A total of $223.7 million was returned to shareholders through dividends of $118.7 million and share repurchases of $105.1 million. Repurchased 5.6 million common shares under the Company's normal course issuer bid ("NCIB"), reducing outstanding shares by 5% in 2023. The Company's regular quarterly dividend increased by 50% to Cdn$0.375 for 2023 compared to Cdn$0.250 for the fourth quarter of 2022.

Three Months Ended December 31, 2023 ("fourth quarter" or "Q4") Highlights

- Quarterly crude oil and natural gas production averaged 57,329 boe/d (98% crude oil and 2% natural gas), an increase of 6% over the fourth quarter of 2022. Refer to "Consolidated Results of Operations" for production split by product type.
- Recognized net income of $133.8 million ($1.28 per share basic) compared to net income of $250.0 million ($2.29 per share basic) in the comparative quarter of 2022.
- Generated quarterly FFO* of $193.4 million ($1.85 per share basic**) compared to $85.2 million ($0.78 per share basic) in the fourth quarter of 2022.
- Generated an operating netback** of $41.79/boe (Q4 2022 - $51.29/boe) and an FFO netback** of $36.81/boe (Q4 2022 - $17.02/boe) from an average Brent price of $82.90/bbl (2022 - $88.63/bbl).

* Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
** Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
*** Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Financial Summary

	For the three months ended December 31,		For the year ended December 31,		
(Financial figures in $000s except per share amounts)	**2023**	2022	**2023**	2022	2021
Light Crude Oil and Medium Crude Oil (bbl/d)	**9,700**	10,511	**8,417**	7,471	6,831
Heavy Crude Oil (bbl/d)	**46,760**	42,746	**45,163**	43,008	38,449
Average oil production (bbl/d)[1]	**56,460**	53,257	**53,580**	50,479	45,280
Average conventional natural gas production (mcf/d)[1]	**5,214**	6,000	**4,656**	9,420	10,308
Average oil and natural gas production (boe/d)	**57,329**	54,257	**54,356**	52,049	46,998
Production split (% crude oil)	**98**	98	**99**	97	96
Oil and natural gas sales price ($/boe)[6]	**71.12**	74.81	**71.00**	86.88	60.97
Operating netback ($/boe)[1]	**41.79**	51.29	**44.84**	59.06	42.53
Oil and natural gas sales	**373,643**	376,347	**1,414,552**	1,643,589	1,057,184
Funds flow provided by operations[7]	**193,377**	85,194	**667,782**	724,890	577,545
Per share – basic[1][3]	**1.85**	0.78	**6.29**	6.38	4.61
Per share – diluted[1][3]	**1.85**	0.78	**6.28**	6.38	4.60
Net income	**133,783**	249,958	**459,309**	611,368	303,105
Per share – basic[3]	**1.28**	2.29	**4.32**	5.38	2.42
Per share – diluted[3]	**1.28**	2.29	**4.32**	5.38	2.41
Dividends paid	**29,505**	20,108	**118,676**	75,491	47,631
Per share – Cdn$[3][6]	**0.375**	0.25	**1.50**	0.89	0.50
Shares repurchases	**22,453**	3,206	**105,068**	221,464	218,491
Number of shares repurchased (000s)	**1,220**	220	**5,628**	11,821	12,869
Capital expenditures[2]	**91,419**	147,746	**483,343**	512,252	272,234
Long-term inventory expenditures	**(866)**	56,415	**39,430**	140,266	5,001
Free funds flow [2]	**101,958**	(62,552)	**184,439**	212,638	305,311
EBITDA[2]	**110,653**	213,604	**650,364**	953,210	633,280
Adjusted EBITDA[2]	**201,345**	244,637	**816,815**	1,066,040	689,177
Total assets (end of period)	**2,415,327**	2,314,373	**2,415,327**	2,314,373	1,784,221
Working capital surplus (end of period)[4][7]	**79,027**	84,988	**79,027**	84,988	325,780
Bank debt (end of period)[5]	**90,000**	—	**90,000**	—	—
Weighted average shares outstanding (000s)					
Basic	**104,394**	109,107	**106,247**	113,572	125,210
Diluted	**104,448**	109,140	**106,295**	113,661	125,599
Outstanding shares (end of period) (000s)	**103,812**	109,112	**103,812**	109,112	120,266

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(4) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(5) Syndicated bank credit facility borrowing base of $200.0 million as at December 31, 2023 and December 31, 2022.
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(7) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory". For the fourth quarter and year ended December 31, 2022 funds flow provided by operations includes a $100 million ($0.92 per share basic) increased current tax expense as a result of a voluntary, internal corporate restructuring. See the "Income Tax" section.

2023 Guidance vs Actuals

The table below is a summary of Parex's original annual guidance for 2023 and a review of 2023 actual results:

	2023 Guidance (as released December 2022)	**2023 Actuals**	**% variance from 2023 Guidance - midpoint**
Brent crude average price ($/bbl)	80	**82**	3
Production (average for period) (boe/d)[1]	57,000-63,000	**54,356**	(9)
Total Capital Expenditures ($ millions)[2]	425-475	**483**	7
Funds Flow provided by operations[4] ($ millions)	645-715	**668**	(2)
Funds Flow provided by operations netback[3] ($/boe)	31	**34**	10
Current tax effective rate on FFO (%)[5]	32%	**19%**	(41)
Return of Capital (Dividends & Share Repurchases) - % of total FFO[5]	≥33%	**34%**	3

(1) Refer to "Consolidated Results of Operations" for annual production split by product type
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(5) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

In 2023 Brent crude prices were slightly higher than Parex's 2023 guidance. As Parex is unhedged, higher oil prices contributed to higher funds flow provided by operations and free funds flow, however the voluntary tax restructuring completed in late December 2022 had a significant impact on funds flow from operations which offset oil and gas production volumes being lower than original 2023 guidance. Parex's actual 2023 average production volumes being below its guidance range was largely a result of delays and production shut-ins in the Capachos Block and slower onstream timing from the Arauca field. Capital expenditures were above the forecasted range largely as a result of drilling and testing delays related to the Arauca drilling program. Funds flow provided by operations and funds flow provided by operations netback were either in line or above expected 2023 guidance. This is largely as a result of a lower than expected current tax effective rate due to the tax restructuring completed in late 2022, a lower than expected surtax band (10%), and a reversal of the non-deductibility of royalties by the Constitutional Court of Colombia.

Return of Capital to Shareholders

Parex looks to provide a significant return of capital to shareholders through dividends and share repurchases, while investing in the Company's assets to provide a total shareholder return. In 2023 Parex bought back 5% of its outstanding shares under the Company's NCIB, as it intended. To further increase shareholder returns in 2023 the Company increased the Company's regular quarterly dividend by 50% to Cdn$0.375 for 2023 compared to Cdn$0.250 for the fourth quarter of 2022 which delivered $118.7 million to Parex shareholders through dividends in 2023.

2024 Guidance

The following table summarizes the Company's 2024 annual guidance:

	2024 Guidance (As released on January 15, 2024)
Brent crude average price ($/bbl)	75
Production (average for period) (boe/d)	54,000-60,000
Total Capital Expenditures ($ millions)[1][2]	390-430
Funds flow provided by operations[4] ($ millions)	590-660
Funds Flow provided by operations netback[1][3] ($/boe)	29-31
Free funds flow (FFO less total capex mid-points)[1][3] ($ millions)	215

(1) Please see the Company's January 15, 2024 news release for additional details on 2024 corporate guidance and netback sensitivity estimates.
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory"

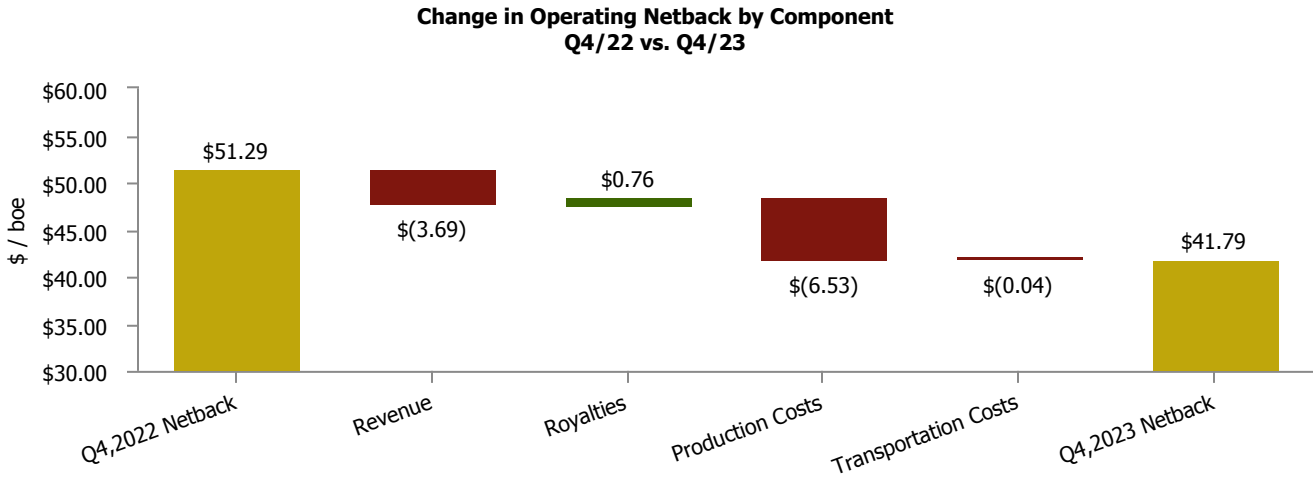
Financial and Operational Results

Consolidated Results of Operations

Parex's oil and gas operations are conducted in Colombia with head office functions conducted in Canada.

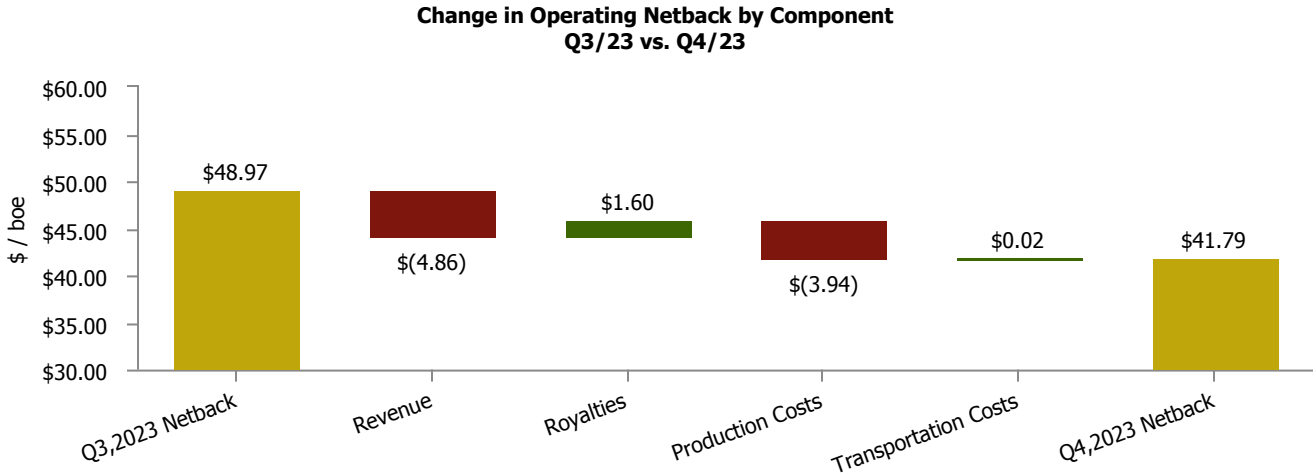
	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Average daily production				
Light Crude and Medium Crude Oil (bbl/d)	**9,700**	10,511	**8,417**	7,471
Heavy Crude Oil (bbl/d)	**46,760**	42,746	**45,163**	43,008
Crude oil (bbl/d)	**56,460**	53,257	**53,580**	50,479
Conventional Natural Gas (mcf/d)	**5,214**	6,000	**4,656**	9,420
Total (boe/d)	**57,329**	54,257	**54,356**	52,049
Production split (% crude oil production)	**98**	98	**99**	97
Average daily sales of oil and natural gas				
Produced crude oil (bbl/d)	**56,240**	53,406	**53,684**	50,213
Purchased crude oil (bbl/d)	**—**	279	**125**	245
Produced natural gas (mcf/d)	**5,214**	6,000	**4,656**	9,420
Total (boe/d)	**57,109**	54,685	**54,585**	52,028
Operating netback (000s)				
Oil and natural gas sales	**$ 373,643**	$ 376,347	**$ 1,414,552**	$ 1,643,589
Royalties	**(63,695)**	(64,445)	**(244,703)**	(332,895)
Net revenue[4]	**309,948**	311,902	**1,169,849**	1,310,694
Production expense	**(71,833)**	(35,740)	**(207,129)**	(129,980)
Transportation expense	**(18,621)**	(17,629)	**(68,306)**	(61,229)
Purchased oil expense	**(498)**	(2,207)	**(4,583)**	(9,936)
Operating netback[1]	**$ 218,996**	$ 256,326	**$ 889,831**	$ 1,109,549
Operating netback (per boe)				
Brent ($/bbl)	**$ 82.90**	$ 88.63	**$ 82.18**	$ 99.04
Parex price differential	**(11.78)**	(13.82)	**(11.18)**	(12.16)
Oil and natural gas sales[2]	**$ 71.12**	$ 74.81	**$ 71.00**	$ 86.88
Royalties[2]	**(12.12)**	(12.88)	**(12.31)**	(17.68)
Net revenue	**59.00**	61.93	**58.69**	69.20
Production expense[2]	**(13.67)**	(7.14)	**(10.42)**	(6.90)
Transportation expense[2]	**(3.54)**	(3.50)	**(3.43)**	(3.24)
Operating netback[3]	**$ 41.79**	$ 51.29	**$ 44.84**	$ 59.06

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Net revenue for the year ended December 31, 2021 was $900.2 million.



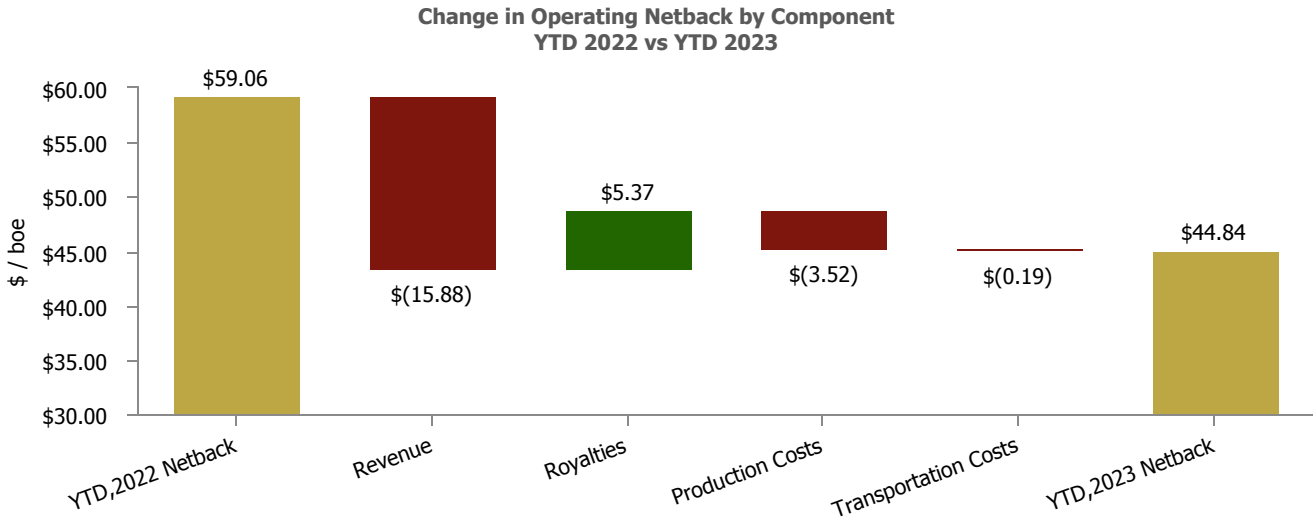
In the fourth quarter of 2023, the Company's benchmark Brent price decreased by $5.73/bbl, while revenue decreased by $3.69/boe as compared to the fourth quarter of 2022. The increase in revenue relative to the Brent crude benchmark decrease was mainly a result of higher realized sales price per boe resulting from decreased gas sales and lower location and quality differentials (and thereby a lower differential to Brent oil price). Royalties decreased by $0.76/boe as a result of lower crude oil benchmark prices in the quarter. Production costs increased by $6.53/boe mainly as a result of increasing electrical power costs. Also impacting production costs were well workovers and maintenance in the current quarter on Block LLA-34, Cabrestero and Capachos Blocks and the appreciation of the Colombian peso. Transportation costs in the quarter decreased by $0.04/boe as compared to the comparative period.

Overall, the operating netback decreased by $9.50/boe vs a Brent benchmark crude price decrease of $5.73/bbl.



In the fourth quarter of 2023, the Company's benchmark Brent oil price decreased by $3.02/bbl, while revenue decreased by $4.86/boe as compared to the third quarter of 2023. The decrease in revenue relative to the Brent crude oil benchmark decrease is mainly a result of higher location and quality differentials (and thereby a higher differential to Brent oil price) and weaker crude oil pricing in the quarter as compared to the comparative period. Royalties decreased by $1.60/boe as a result of lower crude oil benchmark prices in the quarter. Production costs increased by $3.94/boe mainly as a result of increased electrical power costs and well workovers and maintenance in the current quarter on Block LLA-34, Cabestero and Capachos Blocks. Transportation costs decreased by $0.02/boe as compared to the third quarter of 2023.

Overall, the operating netback decreased by $7.18/boe vs a Brent benchmark crude price decrease of $3.02/bbl.



In 2023, the Company's benchmark Brent price decreased by $16.86/bbl, while revenue decreased by $15.88/boe as compared to 2022. The increase in revenue relative to the higher Brent crude benchmark decrease was mainly a result of higher realized sales price per boe resulting from decreased gas sales. Royalties decreased by $5.37/boe as a result of lower crude oil benchmark prices in 2023. Production costs in 2023 increased by $3.52/boe mainly as a result of increasing electrical power costs. Also impacting production costs were well workovers and maintenance in the current year on Block LLA-34, Cabrestero and Capachos Blocks, as well as the temporary shut-in at the Capachos Block where lower field production expenses are realized. Transportation costs in 2023 increased by $0.19/boe as compared to 2022.

Overall, the operating netback decreased by $14.22/boe vs a Brent benchmark crude price decrease of $16.86/bbl.

Oil and Natural Gas Sales

a) Average Daily Production and Sales Volumes (boe/d)

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Block LLA-34	**29,513**	30,035	**29,827**	31,359
Southern Llanos Basin	**20,884**	18,158	**18,639**	14,893
Northern Llanos Basin	**3,974**	3,510	**3,042**	2,982
Magdalena Basin	**2,089**	1,554	**2,072**	1,245
Total Crude Oil Production	**56,460**	53,257	**53,580**	50,479
Natural gas production	**869**	1,000	**776**	1,570
Total crude oil and natural gas production	**57,329**	54,257	**54,356**	52,049
Crude oil inventory draw (build)	**(220)**	149	**104**	(266)
Average daily sales of produced oil and natural gas	**57,109**	54,406	**54,460**	51,783
Purchased oil	**—**	279	**125**	245
Sales Volumes	**57,109**	54,685	**54,585**	52,028

Crude oil and natural gas production for the fourth quarter of 2023 averaged 57,329 boe/d, an increase of approximately 6% from the fourth quarter of 2022 production of 54,257 boe/d and an increase of approximately 5% from the third quarter of 2023 production of 54,573 boe/d.

The increase in oil and natural gas production in the fourth quarter of 2023 compared to the fourth quarter of 2022 is mainly the result of development on the Cabrestero, LLA-26, LLA-40 and VIM-1 Blocks, partially offset by increased downtime in Block LLA-34. In addition to this, production in the fourth quarter of 2022 was impacted by proactive shut-ins in the Capachos Block due to security concerns.

The increase in oil and natural gas production in the fourth quarter of 2023 compared to the third quarter of 2023 is mainly the result of production from additional wells drilled during the quarter on the Cabrestero Block.

Block LLA-34 oil production in 2023 was approximately 5% less than the comparative period in 2022. This decrease is mainly due to increased downtime for workovers.

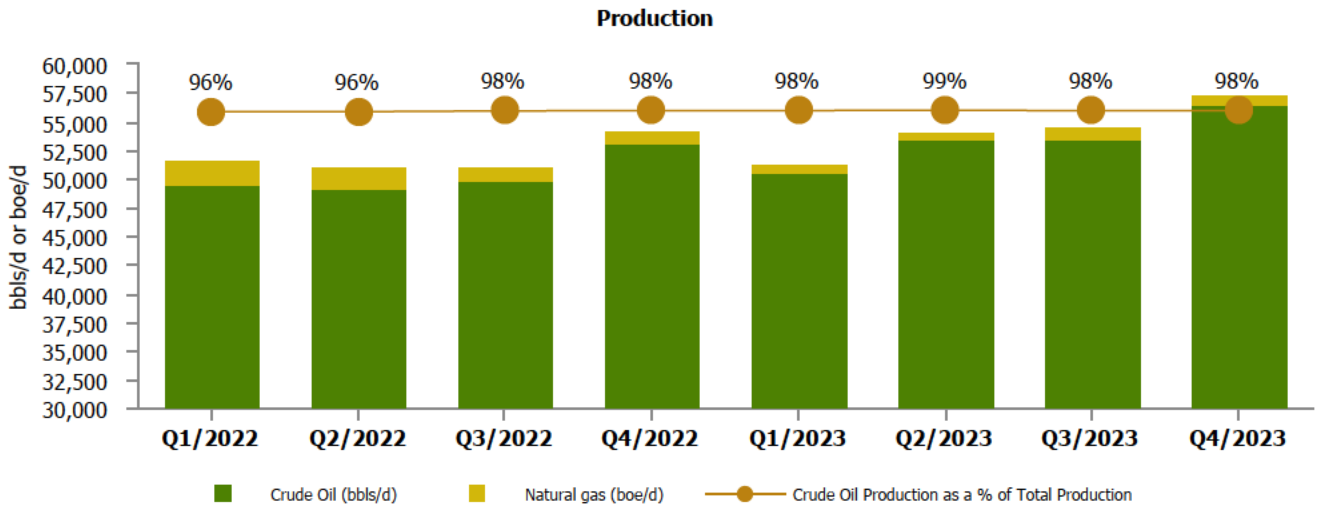
Northern Llanos basin production in 2023 was approximately 2% higher than the prior year comparative period. Production on the Capachos Block in third quarter of 2022 was impacted by temporary localized blockades and in the fourth quarter of 2022 was impacted by proactive shut-ins due to temporary security concerns. Production was also temporarily shut-in on the Capachos Block during the first and second quarters of 2023 due to temporary security concerns.

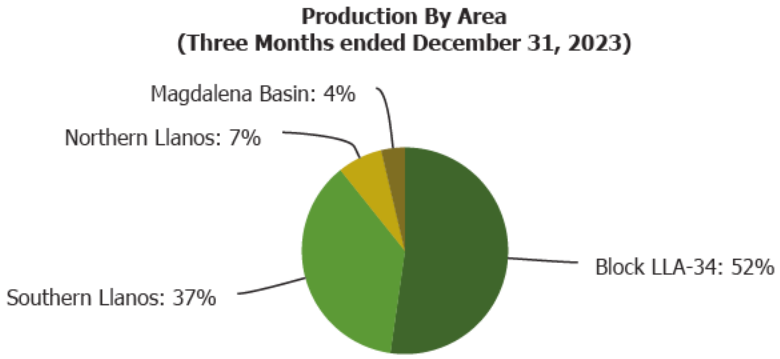
Southern Llanos basin production was approximately 25% higher than the prior year comparative period mainly due to successful drilling campaigns on the Cabrestero, LLA-26 and LLA-40 Blocks.

Magdalena basin production in 2023 was approximately 66% higher than the prior year comparative period of 2022 due to increased production on the VIM-1 Block. In the first quarter of 2023, the Company successfully started gas cycling on the VIM-1 Block, which by reinjecting gas maintains reservoir pressure and maximizes liquids production.

Oil and natural gas sales in the fourth quarter of 2023 were 57,109 boe/d compared to 54,685 boe/d for the fourth quarter of 2022. The increase in oil sales volumes was a result of the increase in oil production, partially offset by decreased purchased oil purchases/sales over the comparative period.

Refer to "Consolidated Results of Operations" for annual production split by product type.





b) Crude Oil Reference and Realized Prices

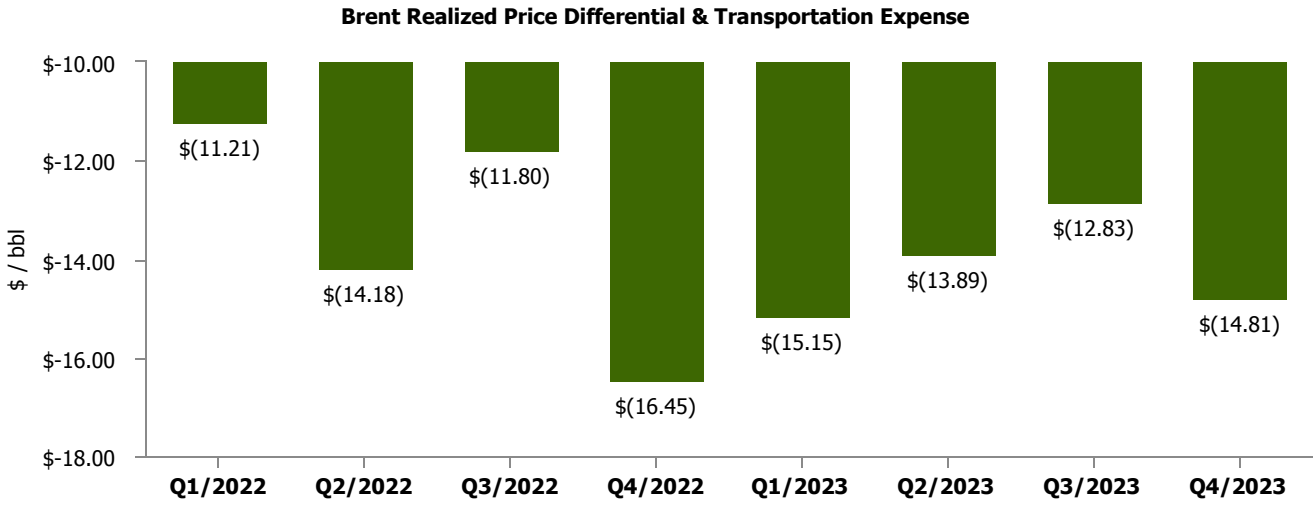
Average price for the period	**Q4 2023**	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Brent ($/bbl)	**82.90**	85.92	77.84	82.16	88.63
Parex location and quality differential ($/bbl)	**(4.29)**	(3.23)	(5.13)	(6.90)	(7.63)
Parex wellhead sales discount ($/bbl)	**(6.94)**	(5.98)	(5.23)	(5.29)	(5.45)
Parex realized oil sales price ($/bbl)[2]	**71.67**	76.71	67.48	69.97	75.55
Parex realized price (differential) to Brent crude ($/bbl)	**(11.23)**	(9.21)	(10.36)	(12.19)	(13.08)
Parex transportation expense ($/bbl)[1][2]	**(3.58)**	(3.62)	(3.53)	(2.96)	(3.37)
Parex price differential and transportation expense ($/bbl)[2]	**(14.81)**	(12.83)	(13.89)	(15.15)	(16.45)

(1) Applies only to direct export cargo sales where Parex incurs the pipeline fees directly. See "Transportation Expense".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the fourth quarter of 2023, the differential between Brent reference pricing and the Company's realized oil sale price was $11.23/bbl. The differential to Brent crude during the fourth quarter of 2023 increased by $2.02/bbl compared to the third quarter of 2023 where the differential was $9.21/bbl. This was primarily the result of the location and quality differential increasing $1.06/bbl mainly related to increased differentials on heavy oil, and the wellhead sales discount increasing $0.96/bbl as result of increased sales at the wellhead compared to the prior period. Compared to the fourth quarter of 2022 Parex's realized price improved from a differential of $13.08/bbl to $11.23/bbl which was mainly driven by a decrease in location and quality differential.

Differences between Parex's realized price and Brent crude price is mainly related to location and quality adjustments, wellhead sale marketing contracts, and the timing of oil sales compared to quarter averages. The location and quality differential between Brent crude pricing also affects Parex's realized sales price and is set in liquid global markets and therefore attributed to factors that are beyond the Company's control making it inherently difficult to forecast.

Parex's realized price differential to Brent crude can fluctuate period over period due to, among other factors, the type of sales contract and the accounting treatment for oil sold at the wellhead versus direct export sales contracts.



c) Natural Gas Sales and Realized Prices

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Natural gas sales ($000s)	**$ 2,839**	$ 3,195	**$10,096**	$ 20,882
Realized sales price ($/Mcf)[(1)]	**5.92**	5.79	**5.94**	6.07

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Parex natural gas sales were $2.8 million and $10.1 million for the three months and year ended December 31, 2023 compared to $3.2 million and $20.9 million in the same periods of 2022. The decrease in natural gas sales from the prior periods is related to decreased natural gas volumes sold from Block LLA-32 as sales to Block LLA-34 for power generation have been reduced due to the tie-in of Block LLA-34 to the national electricity grid, partially offset by increased volumes sold from the VIM-1 Block.

d) Oil and Natural Gas Sales

In 2023 oil and natural gas sales decreased by $229.0 million or 14% as reconciled in the table below to 2022:

($000s)		
Oil and natural gas sales, year ended December 31, 2022	**$**	**1,643,589**
Sales volume of produced oil, an increase of 7% (3,471 bbl/d)		**118,416**
Sales volume of purchased oil, a decrease of 49% (120 bbl/d)		**(3,900)**
Sales price decrease of 19%		**(334,892)**
Sales volume and price change of produced natural gas		**(10,786)**
Other revenue		**2,125**
Oil and natural gas sales, year ended December 31, 2023	**$**	**1,414,552**

Oil and natural gas sales decreased year over year mainly due to the decrease in world oil prices.

e) Crude Oil Inventory in Transit

As at December 31, ($000s) ($000s)		**2023**		2022
Crude oil in transit	**$**	**4,254**	$	4,633

As at December 31, 2023, the Company had 105.6 mbbls (December 31, 2022 - 143.8 mbbls) of crude oil inventory in transit, which was injected into Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, transportation costs, depletion expense and royalty expense) at approximately $40/bbl ($32/bbl - 2022) incurred in bringing the crude oil to its existing condition and location.

A reconciliation of quarter to quarter crude oil inventory movements is provided below:

For the periods ended (mbbls)	**Dec. 31, 2023**	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Crude oil inventory in transit - beginning of the period	**85.4**	110.3	44.9	143.8
Oil production	**5,194.3**	4,932.7	4,880.0	4,549.5
Oil sales	**(5,174.1)**	(4,965.8)	(4,834.2)	(4,666.0)
Purchased oil	**—**	8.2	19.6	17.6
Crude oil inventory in transit (overlift) - end of the period	**105.6**	85.4	110.3	44.9
% of period production	**2.0**	1.7	2.3	1.0

Crude oil inventory build (and draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export. The Company expects crude oil inventory in future periods to be in line with normal historic levels of below 5% of period production.

f) Purchased Oil

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Purchased oil expense ($000s)	**$ 498**	$ 2,207	**$ 4,583**	$ 9,936

Purchased oil expense for the three months and year ended December 31, 2023 was $0.5 million and $4.6 million compared to $2.2 million and $9.9 million for the 2022 comparative periods and $1.0 million in the third quarter of 2023.

Purchased oil expense has decreased compared to the same periods of 2022 as a result of a decrease in oil blending operations and a decrease in purchases of partner crude from the Capachos Block. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

Royalties

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Base royalties[1]	**$ 32,097**	$ 28,996	**$ 119,730**	$ 132,162
Economic rights[2]	**31,598**	35,449	**124,973**	200,733
Royalties ($000s)	**$ 63,695**	$ 64,445	**$ 244,703**	$ 332,895
Per unit ($/boe)[3]	**12.12**	12.88	**12.31**	17.68
Percentage of sales[1][3]	**17**	17	**17**	20
Percentage of base royalties paid in cash	**5**	72	**8**	66
Percentage of base royalties paid in kind[4]	**95**	28	**92**	34

(1) Base royalties are sliding scale royalties based on field production and payable to the Colombian National Hydrocarbon Agency ("ANH"). Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.

(2) Economic rights include high price share royalties applicable to production in excess of 5 million barrels of oil and X-Factor royalties are an additional royalty applicable to heavy oil production, both payable to ANH. Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.

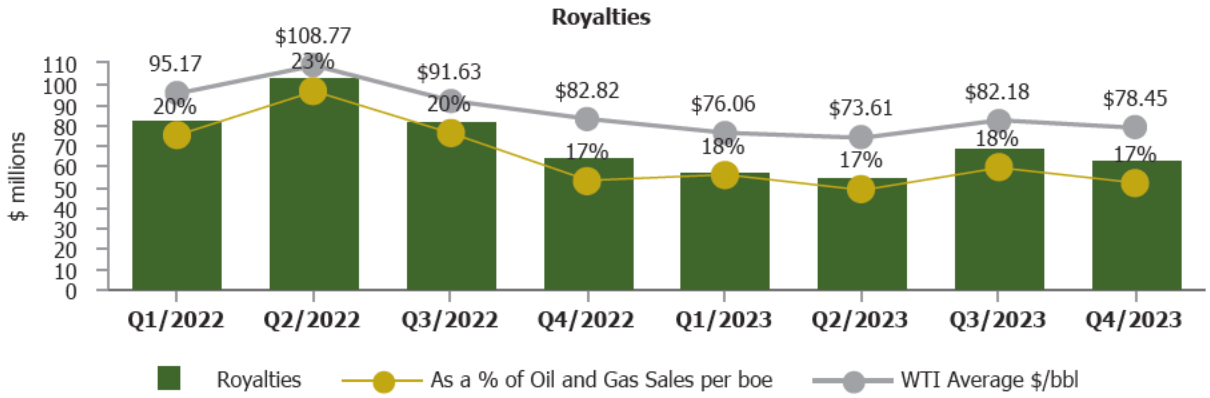
(3) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

(4) Royalties paid in kind reduce the Company's sales volumes.

For the three months and year ended December 31, 2023 royalties as a percentage of sales were 17% compared to 17% and 20% for the 2022 comparative periods. Third quarter of 2023 royalties as a percentage of sales was 18%. The decrease in royalties as a percentage of sales compared to the prior year is a result of lower benchmark WTI prices which are used in the high price share royalty ("HPR") calculation. Compared to the third quarter of 2023 and the average for 2022, the benchmark WTI price in the fourth quarter of 2023 was lower resulting in a decrease in royalties as a percentage of sales. Benchmark WTI prices for the three months and year ended December 31, 2023 were $78.45 and $77.58 compared to $82.82 and $94.57 for the 2022 comparative periods and $82.18 in the third quarter of 2023.

The decrease in royalty expense to $63.7 million and $244.7 million in the three months and year ended December 31, 2023, respectively, compared to $64.4 million and $332.9 million for the 2022 comparative periods is a result of lower benchmark WTI prices used in the calculation of high price share royalties in 2023 compared to 2022 and increased oil and natural gas production and sales over the prior period. As realized oil prices decrease, the high price share royalties as a percentage of oil sales also decrease.

The HPR comes into effect when accumulated production of any production area, inclusive of royalty volumes, exceeds 5 million barrels, and in the event international reference prices exceed pricing determined in the contract. The calculation is described as a "High Price Share" in the "Industry Conditions - High Price Participation" section of Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.



Production Expense

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Production expense ($000s)	**$ 71,833**	$ 35,740	**$ 207,129**	$ 129,980
Per unit ($/boe)[1]	**13.67**	7.14	**10.42**	6.90

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Production expense includes the cost of activities in the field to operate wells and facilities, lift to surface, gather, process, treat and store production.

Production expense for the three months and year ended December 31, 2023 was $13.67/boe and $10.42/boe compared to $7.14/boe and $6.90/boe for the three months and year ended December 31, 2022. Production expense for the third quarter of 2023 was $9.73/boe.

The table below provides a reconciliation of the increase in production expense per boe by main components:

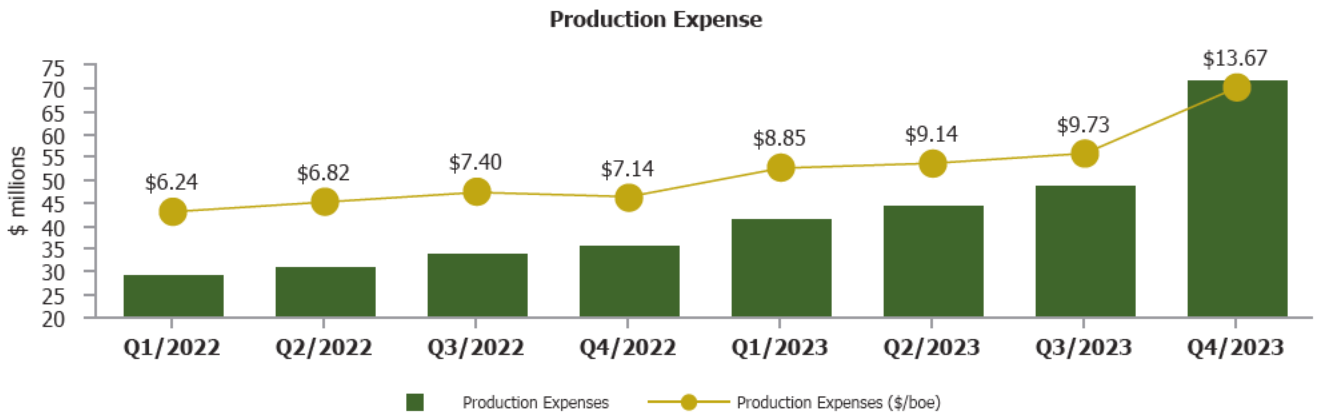
	Q4 2023 vs Q4 2022	**2023 vs 2022**
Prior year production expense per boe[1]	**$ 7.14**	**$ 6.90**
Power generation	**2.50**	**1.30**
Workover and well maintenance	**2.20**	**1.20**
Colombian pesos ("COP") appreciation	**1.30**	**0.98**
Other	**0.53**	**0.04**
Current year production expense per boe[1]	**$ 13.67**	**$ 10.42**

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

The increase in production expense for the three months and year ended December 31, 2023 over the 2022 comparative periods is mainly the result of increased cost of electrical power that supplies fields with required power to operate, workover and well maintenance on Block LLA-34, the Cabrestero Block and the Capachos Block and the appreciation of the COP.

Colombia has experienced an El Niño-induced drought that has led to an escalation in power costs across the country during the past year. Colombia is heavily reliant on hydroelectric power. For 2024, it is expected that production costs will remain elevated as a result of the rise in the cost of power.

The increase in production expense from the third quarter of 2023 is mainly the result of increased power generation costs and well workovers and maintenance on Block LLA-34, the Cabrestero Block and the Capachos Block.



Transportation Expense

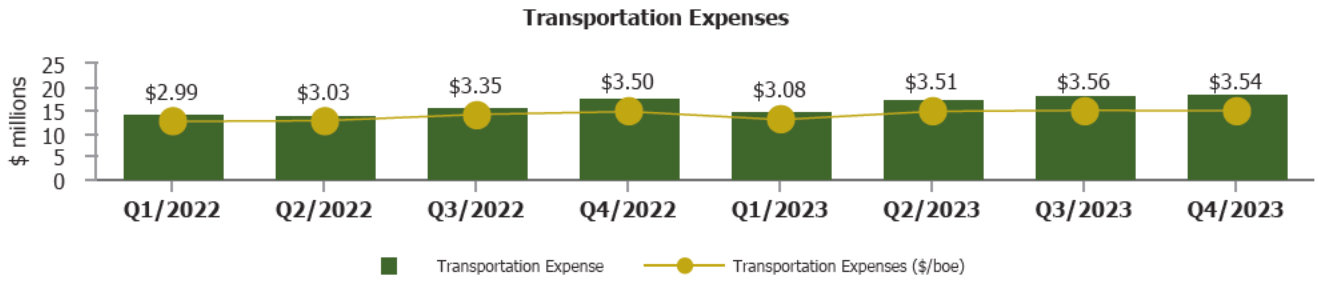
	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Transportation expense ($000s)	**$ 18,621**	$ 17,629	**$ 68,306**	$ 61,229
Per unit ($/boe)[(1)]	**3.54**	3.50	**3.43**	3.24

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Transportation expense includes trucking costs incurred to transport production to several offloading stations for sale and in some instances an oil transportation tariff from delivery point to the buyer's facility and pipeline tariffs.

For the three months ended December 31, 2023, transportation expense decreased to $3.54/boe compared to $3.56/boe for the third quarter of 2023 and increased from $3.50/boe for the comparative period in 2022. On a year to date basis transportation expense has increased to $3.43/boe from $3.24/boe in the comparative period in 2022. Transportation expense will fluctuate period over period due the mix of sales contracts types in force during the period.

The combined transportation expense and price differential from Brent for the fourth quarter of 2023, on a per boe basis, has decreased from the fourth quarter of 2022 and increased from third quarter of 2023. See "Crude Oil Reference and Realized Prices".



General and Administrative Expense ("G&A")

($000s)	For the three months ended December 31, 2023	2022	For the year ended December 31, 2023	2022
Gross G&A	**$ 19,471**	$ 17,709	**$ 73,155**	$ 63,634
G&A recoveries	**(984)**	(1,066)	**(2,722)**	(2,841)
Capitalized G&A	**(2,831)**	(2,784)	**(9,356)**	(9,571)
Net G&A expense	**$ 15,656**	$ 13,859	**$ 61,077**	$ 51,222
Per unit ($/boe) [(1)]	**2.97**	2.78	**3.08**	2.70

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Net G&A was $15.7 million and $61.1 million for the three months and year ended December 31, 2023 compared to $13.9 million and $51.2 million for the same periods in 2022. Gross G&A was $19.5 million and $73.2 million for the three months and year ended December 31, 2023 (three months and year ended December 31, 2022 - $17.7 million and $63.6 million). Gross and net G&A has increased mainly as a result of increased staffing levels during 2022 and the appreciation of the COP.

On a per boe basis net G&A in 2023 increased by 14% to $3.08 from $2.70 in 2022 mainly as result of increased staffing levels during 2023 and staff salary increases mainly in Colombia as a result of high inflation levels in Colombia. The appreciation of the COP represented approximately $0.09/boe of the increase per boe compared to 2022.

The Company's G&A expense is mainly denominated in local currencies of COP and Canadian dollars ("Cdn") which as they appreciate/ depreciate have an impact on G&A expense. Refer to the "Foreign Exchange Sensitivity Analysis" for further information.

Share-Based Compensation

($000s)	For the three months ended December 31, 2023	2022	For the year ended December 31, 2023	2022
Equity settled share-based compensation expense	**$ 264**	$ 309	**$ 1,043**	$ 1,228
Cash settled share-based compensation expense	**7,410**	4,792	**29,321**	17,900
Total share-based compensation expense	**$ 7,674**	$ 5,101	**$ 30,364**	$ 19,128

Share-based compensation expense was $7.7 million and $30.4 million for the three months and year ended December 31, 2023 compared to $5.1 million and $19.1 million for the same periods in 2022.

Equity settled share-based compensation expense was $0.3 million and $1.0 million for the three months and year ended December 31, 2023 compared to $0.3 million and $1.2 million for the same periods in 2022. Equity settled share-based compensation includes the Company's stock option plan. The decrease in the equity settled plan expense from the prior year is mainly related to the decrease in the awards remaining to be amortized under this plan as compared to the prior year.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes cash settled restricted share units ("CRSUs"), cash or share settled restricted share units ("CosRSUs"), cash or share settled performance share units ("CosPSUs") and deferred share units ("DSUs"). Cash settled share-based compensation expense for the three months and year ended December 31, 2023 was $7.4 million and $29.3 million compared to $4.8 million and $17.9 million for the same periods in 2022. This increase in expense is mainly attributable to the increase in Parex's share price from period end dates, partially offset by less units being granted compared to the prior period. Parex share price increased to Cdn$24.95 at December 31, 2023 from Cdn$20.15 at December 31, 2022.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as expense over the vesting period based on the fair value of the units as described in note 18 - Cash Settled Incentive Plans of the audited consolidated financial statements. As at December 31, 2023, the total cash settled incentive plans liability accrued was $38.6 million (December 31, 2022 - $28.4 million) of which $16.3 million (December 31, 2022 - $13.1 million) is classified as long-term in accordance with the vesting periods.

Cash payments to settle cash settled share-based compensation in the three months and year ended December 31, 2023 were $0.7 million and $21.0 million compared to $0.4 million and $28.7 million for the same periods in 2022. The decrease year over year is mainly related to the decrease in Parex share price at the time of settlement and the decrease in the number of PSUs being vested.

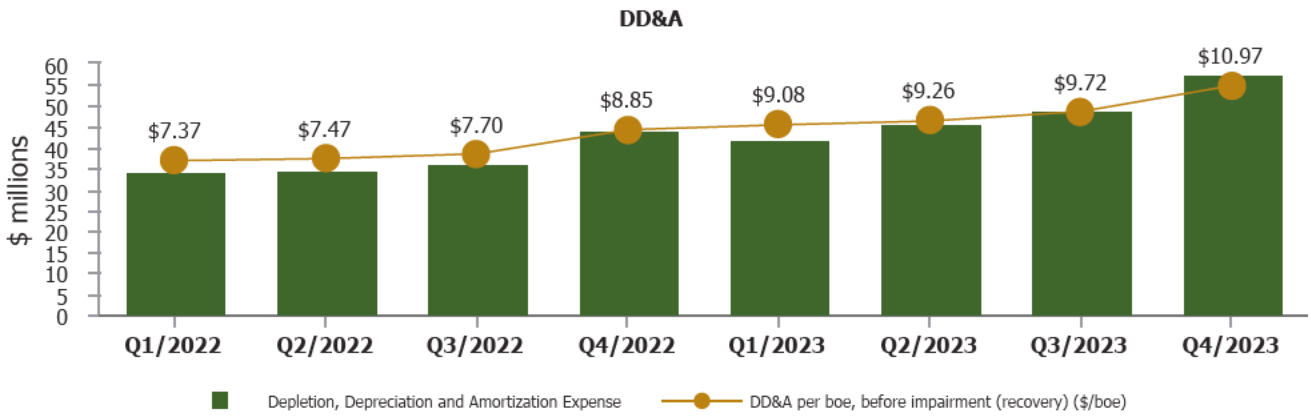
Depletion, Depreciation and Amortization Expense ("DD&A")

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
DD&A ($000s) total	**$ 57,833**	$ 44,167	**$ 194,229**	$ 149,351
Per unit ($/boe)[(1)]	**10.97**	8.85	**9.79**	7.86

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Fourth quarter 2023 DD&A was $57.8 million ($10.97/boe) compared to $44.2 million ($8.85/boe) for the same period in 2022. For the year ended December 31, 2023 DD&A was $194.2 million ($9.79/boe) as compared to $149.4 million ($7.86/boe) for the prior year.

For the fourth quarter of 2023, future development costs of $409.5 million (three months ended December 31, 2022 - $524.7 million) were included in the depletion calculation. Fourth quarter 2023 DD&A of $10.97/boe increased from the comparative period of $8.85/boe due to adding to our depletable capital base through capital expenditures made during the period, along with an increase in the depletion rate over the previous comparative period.



Foreign Exchange

($000s)	For the three months ended December 31, 2023	2022	For the year ended December 31, 2023	2022
Foreign exchange (gain) loss	**$ (317)**	$ (3,020)	**$ 11,595**	$ (18,212)
Foreign currency risk management contracts (gain) loss	**—**	288	**(6,109)**	807
Total foreign exchange (gain) loss	**$ (317)**	$ (2,732)	**$ 5,486**	$ (17,405)
Average foreign exchange rates				
USD$/Cdn$	**1.36**	1.36	**1.35**	1.30
USD$/COP	**4,070**	4,808	**4,325**	4,255

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Cdn and COP, as the Company's functional currency is the U.S. dollar ("USD"). The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies. The main drivers of foreign exchange gains and losses recorded on the consolidated statements of comprehensive income is the COP denominated income tax payable and tax withholdings receivable, and accounts payable. The timing of payment settlements, accruals and their adjustments have impacts on foreign exchange gains/losses.

For the three months and year ended December 31, 2023, a total foreign exchange gain of $0.3 million and loss of $5.5 million was recorded compared to a gain of $2.7 million and a gain of $17.4 million in the respective prior year periods. Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive income.

In the second quarter of 2023 the Company also recorded a $4.8 million realized gain on a COP/USD collar which settled in the money and is included in the total foreign exchange for the year ended December 31, 2023.

The Company reviews its exposure to foreign currency variations on an ongoing basis and maintains cash deposits primarily in USD and COP denominated deposits in Canada, Switzerland and Colombia.

Foreign Exchange Sensitivity Analysis

		$/boe Impact of change in local currency/ $USD exchange rate	
Cost component	**Estimated percent of cost denominated in local currency**	**10% appreciation of local currency**	**10% depreciation of local currency**
Production expense	90 %	$ 1.23	$ (1.23)
Transportation expense	50 %	$ 0.18	$ (0.18)
G&A expense	100 %	$ 0.30	$ (0.30)

The table above displays the estimated per boe impact of a change in Parex's local currencies and the effect on Parex's key cost components. The component impact in $/boe terms uses Q4 2023 per boe costs. This analysis ignores all other factors impacting cost structure including efficiencies, cost reduction strategies, and cost inflation.

As at December 31, 2023, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Cdn and COP against the USD would have decreased (increased) net income by approximately $8.5 million.

Net Finance Expense

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Bank charges and credit facility fees	**$ 1,089**	$ 841	**$ 5,524**	$ 3,875
Accretion on decommissioning and environmental liabilities	**2,459**	1,489	**8,701**	5,807
Interest and other income	**(2,274)**	(4,724)	**(14,520)**	(9,015)
Right of use asset interest	**51**	46	**194**	80
Loss (gain) on settlement of decommissioning liabilities	**(166)**	(529)	**199**	532
Expected credit loss (recovery) provision	**(464)**	(342)	**(421)**	(557)
Other	**271**	37	**2,219**	(29)
Net finance expense (income)	**$ 966**	$ (3,182)	**$ 1,896**	$ 693

	For the three months ended December 31,		For the year ended December 31,	
	2023	2022	**2023**	2022
Non-cash finance expense	**$ 1,853**	$ 482	**$ 8,546**	$ 5,580
Cash finance (income)	**(887)**	(3,664)	**(6,650)**	(4,887)
Net finance expense (income)	**$ 966**	$ (3,182)	**$ 1,896**	$ 693

Bank charges and credit facility fees relate to bank taxes paid in Colombia and the interest and standby fees related to the Company's credit facility. The non-cash components of net finance expense include the accretion on decommissioning and environmental liabilities, loss on settlement of decommissioning liabilities, loss on disposition of tangible assets, other and the expected credit loss provision (recovery).

Risk Management

Management of cash flow variability is an integral component of Parex's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the board of directors ("the Board" or "Board of Directors") to establish risk management guidelines to be used by management. The risk exposure inherent in movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements are all proactively reviewed by Parex and as considered appropriate may be managed through the use of derivatives primarily with financial institutions that are members of Parex's syndicated bank credit facility. The Company considers these derivative contracts to be an effective means to manage and forecast cash flow.

Parex has elected not to apply IFRS prescribed "hedge accounting" rules and, accordingly, pursuant to IFRS the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity and foreign exchange forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the earnings for that period. As a result, earnings may fluctuate considerably based on the period-ending commodity and foreign exchange forward strip prices, in respect of any outstanding commodity or foreign exchange derivative contracts.

a) Risk Management Contracts – Brent Crude

As at December 31, 2023 the Company had no outstanding commodity price risk management contracts.

The Company has no commodity risk management contracts in place for 2024 and is therefore fully exposed to fluctuations in oil prices.

b) Risk Management Contracts – Foreign Exchange

The Company is exposed to foreign currency risk as various portions of its cash balances are held in COP and Cdn while its committed capital expenditures are expected to be primarily denominated in USD.

As at December 31, 2023 the Company had no outstanding foreign currency risk management contracts.

The following is a summary of the foreign currency risk management contracts put in place since December 31, 2023:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price CAD
January 24, 2024 to February 15, 2024	CAD	Strike Forward	$15,000,000	-0.0015
January 24, 2024 to March 27, 2024	CAD	Strike Forward	$37,000,000	-0.0025

The table below summarizes the (gain) loss on the foreign currency risk management contracts that were in place during the three months and years ended December 31, 2023 and 2022:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Unrealized (gain) loss on foreign currency risk management contracts	**—**	288	**(1,278)**	807
Realized gain on foreign currency risk management contracts	**—**	—	**(4,831)**	—
Total	**$ —**	$ 288	**$ (6,109)**	$ 807

Total Non-Current Financial Liabilities

The following table summarized the total non-current financial liabilities for the three most recently completed financial years:

	2023	**2022**	**2021**
Bank debt	**$ 90,000**	$ —	$ —
Lease obligation	**5,736**	6,079	4,512
Cash settled equity plans payable	**16,284**	13,132	14,322
Total	**$ 112,020**	$ 19,211	$ 18,834

Income Tax

The components of tax (recovery) expense for the three months and year ended December 31, 2023 and 2022 were as follows:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Current tax expense	**$ 8,855**	$ 163,107	**$ 155,683**	$ 346,037
Deferred tax expense (recovery)	**(90,784)**	(240,446)	**(160,753)**	(154,239)
Total tax expense (recovery)	**$ (81,929)**	$ (77,339)	**$ (5,070)**	$ 191,798
Effective current tax rate on funds flow provided by operations before tax[(1)]	**4%**	66%	**19%**	32%

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Current tax expense in the fourth quarter of 2023 was $8.9 million as compared to $163.1 million in the comparative three month period. For the full year 2023 the Company recorded $155.7 million of current tax expense as compared to $346.0 million in 2022.

The significant decrease in current tax expense from the prior periods current tax expense relates mainly to the $100 million restructuring cost incurred in the three months ended December 31, 2022. The restructuring was a voluntary, internal corporate entity restructuring to consolidate certain assets in the Southern Llanos basin into one corporate entity for operational and administrative optimization. Also having a significant impact on the fourth quarter 2023 and full year 2023 current tax was the overturned decision by the Constitutional Court of Colombia regarding the deductibility of royalties, and also the Colombia surtax band of 10% being less than forecast. It was assumed the surtax band would be 15% for current tax provision purposes until the third quarter of 2023. For further details regarding the deductibility of royalties and Colombia surtax bands refer to "2023 Tax Reform" below.

Partially offsetting the decrease in current taxes incurred in the fourth of 2022, was the increase in 2023 current tax as a result of the Company being subject to the 10% Colombian surtax band as a result of the 2023 Colombian tax reform (refer to "2023 Tax Reform" below).

For the three months and year ended December 31, 2023 deferred tax was a recovery of $90.8 million and $160.8 million (recovery of $240.4 million and $154.2 million for the three months and year ended December 31, 2022). The deferred tax recovery in the current year periods is largely a result of the depreciation of the COP at the period end dates. Also impacting the deferred tax recovery was the accounting impairments recorded which reduced the temporary difference between the accounting and tax basis of assets.

2023 Tax Reform

In November 2022, the Colombian government enacted a new tax reform to replace the previous tax scheme that was implemented in 2021. The new tax reform became effective January 1, 2023 and includes a base income tax rate for 2023 and beyond of 35% plus the creation of a surtax of between 0% to 15% for Colombian oil companies. The surtax calculation is linked to the historical Brent oil price over a 10 year period.

Also included as part of the tax reform was the inability for oil and gas Company's to deduct royalties from taxable income. This reform however was overturned in the fourth quarter of 2023 by the Constitutional Court of Colombia. In early 2024, the Colombian government appealed this decision. It is expected that the Constitutional Court of Colombia will have a ruling on this appeal late in the first quarter of 2024. Parex has assumed the deductibility of royalties ruling will be upheld for the purposes of calculating 2023 current tax and forecast 2024 current tax.

2024 Current Tax Guidance

The table below reflects the expected effective current tax rate on funds flow provided by operations before tax in 2024:

Brent price assumption	**$65/bbl**	**$75/bbl**	**$85/bbl**
Effect current tax rate on before tax funds flow from operations	10-12%	19-21%	25-27%

The calculation of current and deferred income tax in Colombia is based on a number of variables which can cause swings in current and deferred income tax. These variables include but are not limited to the year-end producing reserves used in calculating depletion for tax purposes, the timing and number of dry hole write-offs permissible for Colombian tax purposes and currency fluctuations.

Capital Expenditures

For the year ended December 31,	Colombia		Canada		Total	
($000s)	**2023**	2022	**2023**	2022	**2023**	2022
Acquisition of unproved properties	**$ 7,770**	$ 5,686	**$ —**	$ —	**$ 7,770**	$ 5,686
Geological and geophysical	**2,497**	15,463	**—**	—	**2,497**	15,463
Drilling and completion	**396,584**	426,695	**—**	—	**396,584**	426,695
Well equipment and facilities	**74,247**	61,754	**—**	—	**74,247**	61,754
Other	**429**	576	**1,816**	2,078	**2,245**	2,654
Total capital expenditures[(1)]	**$ 481,527**	$ 510,174	**$ 1,816**	$ 2,078	**$ 483,343**	$ 512,252

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

For the three months ended December 31,	Colombia		Canada		Total	
($000s)	**2023**	2022	**2023**	2022	**2023**	2022
Acquisition of unproved properties	**$ 722**	$ (2,248)	**$ —**	$ —	**$ 722**	$ (2,248)
Geological and geophysical	**780**	2,575	**—**	—	**780**	2,575
Drilling and completion	**47,000**	135,183	**—**	—	**47,000**	135,183
Well equipment and facilities	**41,624**	11,964	**—**	—	**41,624**	11,964
Other	**371**	237	**922**	35	**1,293**	272
Total capital expenditures[(1)]	**$ 90,497**	$ 147,711	**$ 922**	$ 35	**$ 91,419**	$ 147,746

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Below is additional information related to capital expenditures in the period by key operating area:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Block LLA-34	**$ 30,373**	$ 29,309	**$ 118,275**	$ 102,777
Southern Llanos	**13,478**	66,657	**209,513**	198,899
Northern Llanos	**43,904**	26,242	**96,697**	63,934
Magdalena Basin	**2,372**	25,266	**56,613**	143,988
Corporate	**1,292**	272	**2,245**	2,654
Total capital expenditures[(1)]	**$ 91,419**	$ 147,746	**$ 483,343**	$ 512,252

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the year ended December 31, 2023 the Company incurred $483.3 million of capital expenditures compared to $512.3 million in the same period of 2022. During 2023 the Company drilled 59 gross (43.60 net) wells, compared to 66 gross (48.90 net) wells in 2022.

During the year ended December 31, 2023 the Company's capital expenditures of $483.3 million were self-funded from funds flow provided by operations of $667.8 million.

In the fourth quarter of 2023 the Company drilled 11 gross (8.30 net) wells in Colombia compared to 20 gross (14.35 net) wells in the comparative period in 2022. Drilling and completion costs during the fourth quarter of 2023 totaled $47.0 million mainly related to drilling and completion costs in Colombia at the Arauca Block, the Cabrestero Block, the Capachos Block, and Blocks LLA-34, LLA-81 and LLA-122.

Capital expenditures were lower in the fourth quarter of 2023 as compared to third quarter of 2023, primarily driven by decreased activity on the Cabrestero Block and Block LLA-81, as well as overall corporate activity being reduced with a lower rig count.

Long-Term Inventory

The Company has long-lead material and equipment inventory such as drill casing, natural gas compressors, and other major equipment. With strong demand for material and equipment used in oil and gas operations, the Company took an active, first mover approach to securing material and equipment ahead of its 2023 and 2024 capital programs, specifically specialty casing and tubing for the Northern Llanos drilling program. The Northern Llanos drilling program (Capachos and Arauca projects) experienced delays in the first half of 2023 which has resulted in an increase in inventory levels.

Parex expects to draw on long-lead inventory from current levels through the next six to nine months and thereby will reduce this balance over time.

Cost	
Balance at December 31, 2021	**$ 25,005**
Additions	186,080
Transfers to E&E and PP&E assets	(45,814)
Balance at December 31, 2022	**$ 165,271**
Additions	114,803
Transfers to E&E and PP&E assets	(75,373)
Balance at December 31, 2023	**$ 204,701**

The below table represents the long-term inventory expenditures for the three months and years ended December 31, 2023 and 2022:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Additions	**$ 14,281**	$ 81,407	**$ 114,803**	$186,080
Transfers to D&P and E&E assets	**(15,147)**	(24,992)	**(75,373)**	(45,814)
Total long-term inventory expenditures	**$ (866)**	$ 56,415	**$ 39,430**	$140,266

Non-Cash Impairment Charges

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Impairment of E&E assets	**$ 25,648**	$ 26,494	**$ 82,858**	$ 103,394
Impairment of PP&E related to Boranda/Fortuna CGU	**59,682**	—	**59,682**	—
Total non-cash impairment charges before deferred income tax recoveries	**$ 85,330**	$ 26,494	**$ 142,540**	$ 103,394

2023 Impairments

The Company recorded impairments of exploration and evaluation ("E&E") assets during the three months and year ended December 31, 2023 of $25.6 million and $82.9 million, respectively. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the VIM-43 and LLA-134 Blocks for costs related to exploration wells which indicated non-economic results, the Company also has plans to relinquish the LLA-134 Block. In addition, impairment includes LLA-81 block costs that were impaired on transfer to property, plant and equipment ("PP&E) as the carrying amount exceeded its recoverable. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for VIM-43 and LLA-134 Block assets and $12.3 million for LLA-81 Block assets. It was determined that the impairment was $82.9 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2023.
At December 31, 2023 Parex tested its cash generating units ("CGUs") for PP&E impairment. The Company determined that the carrying amount of the Boranda/Fortuna CGU in the Magdalena Basin exceeded its recoverable amount and an impairment of $59.7 million was recorded in the consolidated statements of comprehensive income for the three months and year ended December 31, 2023. There are no E&E assets associated with this CGU.

As at December 31, 2023, the recoverable amount of the Boranda/Fortuna CGU was estimated to be $40.9 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment. All other CGU's were found to have recoverable amounts greater than carrying amounts. The fair value as determined for the Company's producing properties was consistent with the Company's independent qualified reserve evaluators reserve estimate at December 31, 2023. The recoverable amount was determined using estimated fair value less costs of disposal.

Future cash flows were discounted using an after tax discount rate of 14% with the following prices being used by Parex's independent reserve evaluator as at December 31, 2023:

	2024	2025	2026	2027	2028	Thereafter
Brent ($US/bbl)	77.00	79.50	81.49	82.58	84.19	2% increase per year
WTI ($US/bbl)	72.50	75.00	76.99	78.53	80.10	2% increase per year

2022 Impairments
The Company recorded impairments of E&E assets during the three months and year ended December 31, 2022 of $26.5 million and $103.4 million, respectively. It was determined that the carrying amount of certain E&E assets, primarily associated with the Fortuna Block costs related to exploration wells which indicated non-economic results and the CPO-11 Block costs related to exploration wells which indicated non-economic results and the Company has plans to relinquish the CPO-11 Block. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for these assets. The net book value of costs on these blocks has been impaired to $nil.

At December 31, 2022 Parex tested its CGUs for PP&E impairment where it was determined that the recoverable amount of the CGUs exceeded their carrying amounts, and therefore the Company's CGUs were not impaired. The recoverable amount was determined using estimated fair value less costs of disposal. Future cash flows were discounted using an after tax rate of 14% with the following prices being used by Parex's independent reserve evaluator as at December 31, 2022:

	2023	2024	2025	2026	2027	Thereafter
Brent ($US/bbl)	80.00	80.50	81.50	82.00	82.53	2% increase per year
WTI ($US/bbl)	75.00	75.00	75.43	76.94	78.48	2% increase per year

For further information regarding the impairment charges for the years ended December 31, 2023 and 2022, refer to note 7 - Exploration and Evaluation Assets and note 8 - Property, Plant and Equipment in the audited consolidated financial statements.

Impairment Test of Goodwill

The Company performed its annual test for goodwill impairment at the balance sheet date in accordance with its policy described in note 3 - Summary of Material Accounting Policies of the audited consolidated financial statements. The Company has allocated goodwill to the Colombia operating segment. The estimated fair value less costs of disposal of the Colombia operating segment exceeded the carrying value. As a result, no goodwill impairment was recorded. For additional information refer to note 12 - Goodwill in the audited consolidated financial statements.

Summary of Quarterly Results (unaudited)

Three months ended ($000s) (except per share amounts)	**Dec. 31, 2023**	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**9,700**	8,837	7,982	7,115
Heavy Crude Oil (bbl/d)	**46,760**	44,779	45,644	43,435
Crude Oil (bbl/d)	**56,460**	53,616	53,626	50,550
Conventional Natural Gas (mcf/d)	**5,214**	5,742	2,964	4,692
Total (boe/d)	**57,329**	54,573	54,120	51,332
Realized sales price - oil ($/bbl)[6]	**71.67**	76.71	67.48	69.97
Financial (000s except per share amounts)				
Oil and natural gas sales	**$ 373,643**	$ 383,998	$ 328,178	$ 328,733
Funds flow provided by operations[5]	**$ 193,377**	$ 157,839	$ 154,842	$ 161,724
Per share – basic[2]	**1.85**	1.49	1.45	1.49
Per share – diluted[2]	**1.85**	1.49	1.45	1.49
Net income	**$ 133,783**	$ 119,736	$ 101,415	$ 104,375
Per share – basic	**1.28**	1.13	0.95	0.96
Per share – diluted	**1.28**	1.13	0.95	0.96
Dividends paid	**29,505**	29,239	30,101	29,831
Per share – Cdn$[4][6]	**0.375**	0.375	0.375	0.375
Capital Expenditures[1]	**$ 91,419**	$ 156,747	$ 121,309	$ 113,868
Long-term inventory expenditures	**$ (866)**	$ (374)	$ 20,903	$ 19,767
Total assets (end of period)	**$ 2,415,327**	$ 2,263,479	$ 2,225,799	$ 2,349,748
Outstanding shares (end of period) (000s)	**103,812**	105,014	106,194	107,419
Working capital (deficit) surplus (end of period)[3][5]	**$ 79,027**	$ (57,511)	$ (2,957)	$ 29,662

Three months ended ($000s) (except per share amounts)	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	10,511	6,903	6,734	5,687
Heavy Crude Oil (bbl/d)	42,746	43,063	42,373	43,865
Crude Oil (bbl/d)	53,257	49,966	49,107	49,552
Conventional Natural Gas (mcf/d)	6,000	6,750	12,216	12,816
Total (boe/d)	54,257	51,091	51,143	51,688
Realized sales price - oil ($/bbl)[6]	75.55	89.33	100.83	89.68
Financial (000s except per share amounts)				
Oil and natural gas sales	$ 376,347	$ 405,371	$ 448,255	$ 413,616
Funds flow provided by operations[5]	$ 85,194	$ 206,412	$ 227,796	$ 205,488
Per share – basic[2]	0.78	1.85	1.98	1.73
Per share – diluted[2]	0.78	1.85	1.98	1.73
Net income (loss)	$ 249,958	$ 65,632	$ 143,128	$ 152,650
Per share – basic	2.29	0.59	1.24	1.29
Per share – diluted	2.29	0.59	1.24	1.29
Dividends paid	20,108	20,042	22,226	13,115
Per share – Cdn$[4][6]	0.250	0.250	0.250	0.140
Capital Expenditures[1]	$ 147,746	$ 127,353	$ 126,240	$ 110,913
Long-term inventory expenditures	$ 56,415	$ 65,725	$ 6,541	$ 11,585
Total assets (end of period)	$ 2,314,373	$ 2,089,253	$ 2,086,407	$ 1,923,836
Outstanding shares (end of period) (000s)	109,112	109,323	113,810	116,413
Working capital surplus (end of period)[3][5]	$ 84,988	$ 229,763	$ 311,496	$ 286,684

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Working capital does not include the undrawn amount available on the credit facility.
(4) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory". For the year ended December 31, 2022 funds flow provided by operations included a $100.0 million ($0.92 per share basic) increased current tax expense as a result of a voluntary internal corporate restructuring, refer to the "Income Tax" section.
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Factors that Caused Variations Quarter Over Quarter

During the fourth quarter of 2023, production of 57,329 boe/d (consisting of 9,700 bbls/d light crude oil and medium crude oil, 46,760 bbls/d of heavy crude oil and 5,214 mcf/d of conventional natural gas) increased by 5% over the previous quarter ended September 30, 2023. Revenue was lower than the previous quarter due a decrease in realized prices. Funds flow provided by operations was higher than the previous quarter due to a decrease in current income tax expense due to a number of factors. Refer to "Income Tax" for a detailed description of the main drivers of the decrease in current tax in the fourth quarter. Working capital increased to $79.0 million* from a deficit of $57.5 million* at September 30, 2023 largely due to bank debt borrowings of $90.0 million. Dividends paid on common shares for the quarter were $29.5 million (Cdn$0.375 per common share***). The cost associated with the repurchase of common shares under the NCIB program during the quarter was $22.5 million.

During the third quarter of 2023, production of 54,573 boe/d (consisting of 8,837 bbls/d light crude oil and medium crude oil, 44,779 bbls/d of heavy crude oil and 5,742 mcf/d of conventional natural gas) was higher than the previous quarter ended June 30, 2023. Revenue and funds flow provided by operations were higher than the previous quarter due to an increase in realized prices. The decrease in working capital to a deficit of $57.5 million* from a deficit of $3.0 million* at June 30, 2023 is primarily a result of increased capital expenditures on resumption of full operations in the Northern Llanos basin, as well as the Company's common share repurchases under the NCIB and the Colombian income tax payables being settled in the third quarter of 2023. Dividends paid on common shares for the quarter were $29.2 million (Cdn$0.375 per common share***). The repurchase of common shares under the NCIB during the quarter for a total cost of $24.3 million.

During the second quarter of 2023, production of 54,120 boe/d (consisting of 7,982 bbls/d light crude oil and medium crude oil, 45,644 bbls/d of heavy crude oil and 2,964 mcf/d of conventional natural gas) was higher than the previous quarter ended March 31, 2023. Revenue and funds flow provided by operations were lower than the previous quarter due to a decrease in realized prices. The decrease in working capital to a deficit of $3.0 million* from $29.7 million* surplus at March 31, 2023 is primarily a result from inventory build due to the suspension of operations in the Northern Llanos basin, as well as the Company's common share repurchases under the NCIB and the purchase of additional long lead capital inventory items and the Colombian income tax payables being settled in the first half of 2023. Dividends paid on common shares for the quarter were $30.1 million (Cdn$0.375 per common share***). Purchases of long-lead inventory for capital projects were $20.9 million for the quarter. The repurchase of common shares under the NCIB during the quarter was $25.5 million.

During the first quarter of 2023, production of 51,332 boe/d (consisting of 7,115 bbls/d light crude oil and medium crude oil, 43,435 bbls/d of heavy crude oil and 4,692 mcf/d of conventional natural gas) was lower than the previous quarter ended December 31, 2022. Revenue was lower than the previous quarter due to a decrease in realized prices. Funds flow provided by operations were higher than the previous quarter as the fourth quarter of 2022 included approximately $100.0 million* ($0.92 per share basic**) related to increased current tax expense as a result of a voluntary internal corporate restructuring. Working capital decreased to $29.7 million* from $85.0 million* at December 31, 2022 primarily from inventory build due to the suspension of operations in the Northern Llanos basin. Dividends paid on common shares for the quarter were $29.8 million (Cdn$0.375 per common share***). Purchases of long-lead inventory for capital projects were $19.8 million for the quarter. The repurchase of common shares under the NCIB during the quarter was $32.9 million.

During the fourth quarter of 2022, production of 54,257 boe/d (consisting of 10,511 bbls/d light crude oil and medium crude oil, 42,746 bbls/d of heavy crude oil and 6,000 mcf/d of conventional natural gas) increased by 6% from the previous quarter ended September 30, 2022. Revenue and funds flow provided by operations were lower than the previous quarter due to a decrease in realized prices and the voluntary restructuring completed in the fourth quarter of 2022. For the three months ended December 31, 2023 funds flow provided by operations includes approximately $100 million* ($0.92 per share basic**) related to increased current tax expense as a result of a voluntary internal corporate restructuring. Working capital decreased to $85.0 million* from $229.8 million* at September 30, 2022. Dividends paid on common shares for the quarter were $20.1 million (Cdn$0.250 per common share***). Purchases of long-lead inventory for capital projects were $56.4 million for the quarter.

Please refer to "Financial and Operating Results" for detailed discussions on variations during the comparative quarters and to Parex's previously issued annual and interim MD&As for further information regarding changes in prior quarters.

* Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".
** Non-GAAP ratio". See "Non-GAAP and Other Financial Measures Advisory".
*** Supplementary Financial measure". See "Non-GAAP and Other Financial Measures Advisory".

Fourth Quarter Results

Consolidated Statements of Comprehensive Income for the three months ended December 31, 2023 and 2022:

($000s) For the three month period ended December 31,		2023		2022
Oil and natural gas sales	**$**	**373,643**	$	376,347
Royalties		**(63,695)**		(64,445)
Revenue		**309,948**		311,902
Expenses				
Production		**71,833**		35,740
Transportation		**18,621**		17,629
Purchased oil		**498**		2,207
General and administrative		**15,656**		13,859
Impairment of property, plant and equipment assets		**59,682**		—
Impairment of exploration and evaluation assets		**25,648**		26,494
Equity settled share-based compensation expense		**264**		309
Cash settled share-based compensation expense		**7,410**		4,792
Depletion, depreciation and amortization		**57,833**		44,167
Foreign exchange (gain)		**(317)**		(2,732)
		257,128		142,465
Finance (income)		**(2,274)**		(4,724)
Finance expense		**3,240**		1,542
Net finance expense (income)		**966**		(3,182)
Income before income taxes		**51,854**		172,619
Income tax (recovery)				
Current tax expense		**8,855**		163,107
Deferred tax (recovery)		**(90,784)**		(240,446)
		(81,929)		(77,339)
Net income and comprehensive income for the period	**$**	**133,783**	$	249,958

Liquidity and Capital Resources

As at December 31, 2023 the Company had a working capital surplus of $79.0 million* as compared to working capital surplus of $85.0 million* at December 31, 2022. At December 31, 2023 working capital was supplemented by the Company's secured credit facility that had $90.0 million (December 31, 2022 - $nil) drawn due to the timing of vendor payments and oil sale collections in the days before December 31, 2023.

Compared to December 31, 2022, working capital increased by the $90.0 million received under the credit facility which was offset by the decrease in working capital primarily resulting from inventory build due to the suspension of operations in the Northern Llanos basin, as well as the Company's NCIB repurchases, the purchase of additional long lead capital inventory items and Colombian income tax payables being settled in 2023.

The credit facility has a current borrowing base of $200.0 million, which is subject to a borrowing base redetermination to be completed by the end of May 2024 and matures on May 21, 2025. As at December 31, 2023 Parex held $140.4 million of cash compared to $34.5 million on September 30, 2023 and $419.0 million on December 31, 2022. The Company’s cash balances reside primarily in current accounts with chartered financial institutions, the majority of which are held on account in Canada, Switzerland and Colombia in USD.

Parex expects working capital to build throughout 2024, with forecast production growth, declining capital expenditures and inventory deployment, subject to commodity prices remaining in line with the fourth quarter of 2023. Parex expects to draw on the credit facility at various times throughout 2024 to manage timing differences associated with timing of vendor payments and oil sales collections.

Parex's senior secured credit facility with a syndicate of banks has a current borrowing base of $200.0 million. Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. There is a $90.0 million balance drawn on the facility as at December 31, 2023. The Company is in compliance with all covenants. The next annual review is scheduled to occur in May 2024. The next re-determination of the credit facility is not expected to impact the Company's current or future operations or reduce the 2024 outlook or change the Company's guidance.

Refer to note 26 - Commitments and Contingencies of the audited consolidated financial statements for a description of the performance guarantee facility with Export Development Canada as well as the unsecured letters of credit.

* Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at December 31, 2023 the Company had 103,811,718 common shares outstanding compared to 109,112,290 at December 31, 2022, a decrease of 5%. At February 29, 2024 the common shares outstanding has been reduced to 103,313,986 due to the Company's 2023 NCIB.

The Company has a stock option plan that provides for the issuance of stock options to the Company's officers, executives and certain employees to acquire common shares issued from treasury.

As at February 29, 2024 Parex had the following securities outstanding:

	Number	%
Common shares	103,313,986	99
Stock options	665,745	1
	103,979,731	100

As of the date of this MD&A, total stock options outstanding represent approximately 1% of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

In the normal course of business, Parex has entered into arrangements and incurred obligations that will affect the Company's future operations and liquidity. These commitments primarily relate to exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company's exploration commitments are described in the Company's AIF under "Description of Business - Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity.

In Colombia, the Company has provided guarantees to the ANH in the amount of $141.0 million as at December 31, 2023 (December 31, 2022 - $129.1 million) to support the exploration work commitments on its blocks. The guarantees have been provided in the form of letters of credit for varying terms. Export Development Canada has provided performance security guarantees under the Company's $150.0 million (December 31, 2022 - $150.0 million) performance guarantee facility to support approximately $8.0 million of the letters of credit (December 31, 2022 - $9.4 million) issued on behalf of Parex. The letters of credit issued to the ANH are reduced from time to time to reflect the work performed on the various blocks. At December 31, 2023, there were an additional $133.0 million letters of credit (December 31, 2022 - $119.7 million) that were provided by select Latin American banks on an unsecured basis.

At December 31, 2023, the total lease obligation was $6.5 million (December 31, 2022 - $6.8 million) of which $5.7 million (December 31, 2022 - $6.1 million) is classified as long-term in accordance with the lease term.

The following table summarizes the Company's estimated undiscounted commitments as at December 31, 2023:

($000s)	**Total**	**<1 year**	**1 – 3 years**	**3 – 5 years**	**>5 years**
Exploration	$ 458,069	$ 21,530	$ 271,549	$ 164,990	$ —
Office and accommodations[(1)]	6,789	1,073	2,866	1,618	1,232
Decommissioning and Environmental Obligations	234,830	6,000	—	—	228,830
Total	**$ 699,688**	**$ 28,603**	**$ 274,415**	**$ 166,608**	**$ 230,062**

(1) Includes minimum lease payment obligations associated with leases for office space and accommodations.

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2021	$ 36,730	$ 18,224	$ 54,954
Additions	5,330	3,266	8,596
Settlements of obligations during the year	(2,871)	(822)	(3,693)
Loss on settlement of obligations	532	—	532
Accretion expense	3,663	2,144	5,807
Change in estimate - inflation and discount rates	(12,504)	(5,233)	(17,737)
Change in estimate - costs	13,733	162	13,895
Foreign exchange (gain)	(5,795)	(3,267)	(9,062)
Balance, December 31, 2022	$ 38,818	$ 14,474	$ 53,292
Additions	9,676	1,379	11,055
Settlements of obligations during the year	(3,110)	(3,695)	(6,805)
Loss on settlement of obligations	199	—	199
Accretion expense	6,098	2,603	8,701
Change in estimate - inflation and discount rates	17,592	2,316	19,908
Change in estimate - costs	(1,331)	2,382	1,051
Foreign exchange loss	3,581	4,750	8,331
Balance, December 31, 2023	**71,523**	**24,209**	**95,732**
Current obligation	(3,000)	(3,000)	(6,000)
Long-term obligation	**$ 68,523**	**$ 21,209**	**$ 89,732**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at December 31, 2023, with the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $201.4 million as at December 31, 2023 (December 31, 2022 - $147.6 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 9.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2022 - 14% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used in 2023 and 2022 are based on forecast Colombia rates.

Included in the decommissioning liability is $3.0 million (December 31, 2022 - $5.5 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $33.4 million as at December 31, 2023 (December 31, 2022 - $19.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 9.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2022 - 14% risk-free discount rate and a 3.5% inflation rate). The risk-free discount rate and the inflation rate used in 2023 and 2022 are based on forecast Colombia rates.

Included in the environmental liability is $3.0 million (December 31, 2022 - $1.2 million) that is classified as a current obligation.

Decommissioning and environmental liabilities are considered critical accounting estimates. There are significant uncertainties related to decommissioning and environmental expenditures and the impact on the financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. The main factors that can cause expected estimated cash flows in respect of decommissioning and environmental liabilities to change are:

- changes in laws, legislation and regulations;
- construction of new facilities;
- change in commodity price;
- change in the estimate of oil reserves and the resulting amendment to the life of reserves;
- changes in technology; and
- execution of decommissioning and environmental liabilities.

Subsequent Event

On January 22, 2024, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 10,198,838 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The NCIB will terminate on January 21, 2025. The Company also entered into an automatic share purchase plan with a broker to facilitate repurchases of Common Shares pursuant to the Company's NCIB. Under the Company's automatic share purchase plan, the Company's broker may repurchase Common Shares under the NCIB during the Company's self-imposed blackout periods. The Company has repurchased approximately 0.5 million shares to date in 2024 at an average price of Cdn$21.88 per share, for total consideration of Cdn$11.8 million under the current normal course issuer bid.

Advisory on Forward-Looking Statements

Certain information regarding Parex set forth in this MD&A, including assessments by the Company's management of the Company's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex. In particular, forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to:

- the Company's operational strategy, plans, priorities and focus;
- Parex's expectation to provide a significant return of capital through dividends, including its regular quarterly dividend, and share repurchases, while investing in the Company's assets to provide an appealing total shareholder return;
- Parex's expectations as to debt levels, commodity risk management and other hedging activities;
- Parex's expectation regarding increased future production costs;
- Parex's 2024 guidance, including its anticipated funds flow provided by operations netback, capital expenditures; funds flow provided by operations, free funds flow and annual average production;
- the anticipated benefits to be derived from the Company's voluntary, internal corporate entity restructuring;
- Parex's expectation that crude oil inventory in future periods will be in line with normal historic levels;
- Parex's plans to relinquish certain blocks;
- the terms of the Company's credit facility including the timing of the next annual review and borrowing base redetermination;
- the Company's expectation that the next redetermination of its credit facility will not impact its current or future operations or reduce its 2024 outlook or change the Company's guidance;
- the Company's plan to draw on the credit facility through 2024;
- the Company's expectation that only the grants under the Company's stock option plan will result in common shares issued from treasury;
- estimated amounts, timing and the anticipated sources of funding for the Company's exploration, capital expenditure programs, office and accommodations, environmental, decommissioning and restoration obligations;
- the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement;
- Parex's plans to reduce operational Scope 1 and 2 GHG emissions and the anticipated timing thereof;
- Parex's ESG targets of eliminating flaring and reducing operational emissions;
- Parex's goal of maintaining its target representation of women on the Board;
- the Company's expectations regarding the impacts to its per boe and G&A expense caused by appreciation and depreciation of the COP;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the fluctuation of earnings based on strip prices;
- the Company's estimated effective tax rate for 2024;
- the anticipated timing of the appeal at the Constitutional Court of Colombia regarding the deduction of royalties from taxable income and the anticipated results thereof;
- Parex's expectations that it will draw on its long-lead material and equipment inventory through the next six to nine months;
- anticipated growth in Parex's working capital and production and decline of capital expenditures and inventory deployment in 2024;
- terms of certain of Parex's contractual obligations;
- Parex's plan to monitor and disclose key metrics surrounding the environmental impacts of its operations;

- Parex's expectations that peace negotiations will further institutional strengthening and development in Colombia;
- Parex's expectations that it will be successful in attracting and retaining qualified successors to its Chief Executive Officer and other senior officers in the event of departure; and
- the statements set forth under "Accounting Policies and Estimates" in this MD&A.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; determination by Organization of Petroleum Exporting Countries ("OPEC") and other country as to production levels; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; continued volatility and fluctuations in market prices for oil; the impact of significant declines in market prices for oil; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve, resource and revenue estimates; incorrect forecasts of the production and growth potential of Parex's assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions; risk of failure to achieve the perceived benefits from the voluntary corporate restructuring when anticipated, or at all; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities may not be consistent with its expectations; failure to meet expected production targets; the risk that Parex may not have sufficient financial resources in the future to pay a divided; the risk that the Board may not declare dividends in the future and that there may not be base dividend growth or that Parex's dividend policy changes; the risk that Parex's risk management strategy may not be an effective means of managing and forecasting cash flow; the risk that anticipated capital expenditures, growth in production and production per share may be different than anticipated; the risk that the Company may not meet its ESG targets of eliminating flaring and reducing emissions; the risk that the Company's capital and operating expenditures relating to the protection of the environment may be greater than anticipated; the risk that the Company's environmental strategies may not be successful and that the Company may not remain in material compliance with environmental protection legislation; the risk that Parex's long-lead material and equipment inventory may not be put into use with the capital program; the risk that the impacts of community unrest on the Company may be greater than anticipated; the risk that Parex may not be successful in attracting and retaining qualified successors to its Chief Executive Officer and other senior officers in the event of departure; the risk that the appeal at the Constitutional Court of Colombia may not occur when anticipated and that the result may adversely affect the Company; the risk that the Company's inventory deployment in 2024 may be greater than anticipated; the risks discussed under "Risk Factors" and under "Decommissioning and Environmental Liabilities" in this MD&A; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; access to areas of the Company's operations and infrastructure in light of the impact of community unrest on the Company's operations; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies and environmental legislation on the Company's operations; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; the anticipated benefits from the voluntary corporate restructuring; royalty rates; future operating costs; foreign exchange rates; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources in the future to pay a dividend; that the Board will declare dividends in the future; that Parex will have sufficient financial resources to repurchase shares under its NCIB; that strip prices will remain unchanged; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

Forward-looking statements and other information contained in this MD&A concerning the oil and natural gas industry in the countries in which it operates and the Company's general expectations concerning this industry are based on estimates prepared by Management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management has included forward looking information and the above summary of assumptions and risks related to forward-looking information in this MD&A in order to provide shareholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive there from. These forward-looking statements are made as of the date of this MD&A and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: Parex's 2024 guidance, including its anticipated funds flow provided by operations netback, capital expenditures, funds flow provided by operations, and free funds flow; estimated amounts and the anticipated sources of funding for the Company's exploration, office and accommodations, environmental, decommissioning and restoration obligations; the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability costs and the internal resources available to the Company at the time of settlement; and the Company's estimated effective tax rate for 2024; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

Distribution Advisory

The Company's future shareholder distributions, including but not limited to the payment of dividends and the acquisition by the Company of its shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to pay further dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) or acquire shares of the Company will be subject to the discretion of the Board of Directors of Parex and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay dividends or repurchase any shares of the Company in the future.

Oil & Gas Matters Advisory

This report contains a number of oil and gas metrics, including operating netbacks and FFO netbacks. These oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this report, should not be relied upon for investment or other purposes. The term "Boe" means a barrel of oil equivalent on the basis of 6 thousand cubic feet ("Mcf") of natural gas to 1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

Non-GAAP and Other Financial Measures Advisory

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this MD&A.

Non-GAAP Financial Measures

Capital expenditures, *is a non-GAAP financial measure which the Company uses to describe its capital costs associated with oil and gas expenditures. The measure considers both property, plant and equipment expenditures and exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period.*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2023**	2022	**2023**	2022	2021
Property, plant and equipment expenditures	**$ 50,753**	$ 111,512	**$ 310,933**	$ 389,979	$ 212,153
Exploration and evaluation expenditures	**40,666**	36,234	**172,410**	122,273	60,081
Capital expenditures	**$ 91,419**	$ 147,746	**$ 483,343**	$ 512,252	$ 272,234

	For the three months ended					
($000s)	September 2023	June 2023	March 2023	September 2022	June 2022	March 2022
Property, plant and equipment expenditures	$ 93,957	$ 82,999	$ 83,224	$ 101,253	$ 93,346	$ 83,868
Exploration and evaluation expenditures	62,790	38,310	30,644	26,100	32,894	27,045
Capital expenditures	$ 156,747	$ 121,309	$ 113,868	$ 127,353	$ 126,240	$ 110,913

Free funds flow, *is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow or free cash flow to be a key measure as it demonstrates Parex's ability to fund returns of capital, such as the NCIB or dividends, without accessing outside funds and is calculated as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2023**	2022	**2023**	2022	2021
Cash provided by operating activities	**$ 194,242**	$ 297,569	**$ 376,471**	$ 983,602	$ 534,301
Net change in non-cash working capital	**(865)**	(212,375)	**291,311**	(258,712)	43,244
Funds flow provided by operations	**193,377**	85,194	**667,782**	724,890	577,545
Capital expenditures	**91,419**	147,746	**483,343**	512,252	272,234
Free funds flow	**$ 101,958**	$ (62,552)	**$ 184,439**	$ 212,638	$ 305,311

EBITDA, *is a non-GAAP financial measure that is defined as net income adjusted for finance income and expenses, income tax expense (recovery) and depletion, depreciation and amortization.*

Adjusted EBITDA, *is a non-GAAP financial measure defined as EBITDA adjusted for non-cash impairment charges, unrealized foreign exchange gains (losses), unrealized gains (losses) on risk management contracts and share-based compensation expense.*

The Company considers EBITDA and Adjusted EBITDA to be key measures as they demonstrates Parex's profitability before finance income and expenses, taxes, depletion, depreciation and amortization and other non-cash items. A reconciliation from net income to EBITDA and Adjusted EBITDA is as follows:

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2023**	2022	**2023**	2022	2021
Net income	**$ 133,783**	$ 249,958	**$ 459,309**	$ 611,368	$ 303,105
Adjustments to reconcile net income to EBITDA:					
Finance income	**(2,274)**	(4,724)	**(14,520)**	(9,015)	(1,608)
Finance expense	**3,240**	1,542	**16,416**	9,708	9,677
Income tax (recovery) expense	**(81,929)**	(77,339)	**(5,070)**	191,798	200,710
Depletion, depreciation and amortization	**57,833**	44,167	**194,229**	149,351	121,396
EBITDA	**$ 110,653**	$ 213,604	**$ 650,364**	$ 953,210	$ 633,280
Non-cash impairment charges	**85,330**	26,494	**142,540**	103,394	27,000
Share-based compensation expense	**7,674**	5,101	**30,364**	19,128	27,682
Unrealized foreign exchange (gain) loss	**(2,312)**	(562)	**(6,453)**	(9,692)	1,215
Adjusted EBITDA	**$ 201,345**	$ 244,637	**$ 816,815**	$ 1,066,040	$ 689,177

Operating netback, *is a non-GAAP financial measure that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales from production less royalties, operating, and transportation expense. Refer to "Financial and Operational Results – Consolidated Results of Operations" for the calculation of operating netback.*

Non-GAAP Financial Ratios

Operating netback per boe, *is a non-GAAP financial ratio that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback per boe as operating netback divided by the total equivalent sales volume including purchased oil volumes for oil and natural gas sales price and transportation expense per boe and by the total equivalent sales volume excluding purchased oil volumes for royalties and operating expense per boe.*

Funds flow provided by operations netback*, is a non-GAAP ratio that includes all cash generated from operating activities and is calculated before changes in non-cash working capital, divided by produced oil and natural gas sales volumes. The Company considers funds flow provided by operations netback to be a key measure as it demonstrates Parex's profitability after all cash costs relative to current commodity prices.*

Basic and diluted funds flow provided by operations per share or FFO per share, *is calculated by dividing funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted funds flow provided by operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The Company considers basic and diluted funds flow provided by operations per share to be a key measure as it demonstrates Parex's profitability after all cash costs relative to the weighted average number of basic and diluted shares outstanding.*

Capital Management Measures

Funds flow provided by operations, *is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. The Company considers funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after all cash costs. A reconciliation from cash provided by (used in) operating activities to funds flow provided by operations is as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2023**	2022	**2023**	2022	2021
Cash provided by operating activities	**$ 194,242**	$ 297,569	**$ 376,471**	$ 983,602	$ 534,301
Net change in non-cash working capital	**(865)**	(212,375)	**291,311**	(258,712)	43,244
Funds flow provided by operations	**$ 193,377**	$ 85,194	**$ 667,782**	$ 724,890	$ 577,545

	For the three months ended					
($000s)	September 2023	June 2023	March 2023	September 2022	June 2022	March 2022
Cash provided by (used in) operating activities	$ 87,568	$ (36,612)	$ 131,273	$ 250,643	$ 244,783	$ 190,607
Net change in non-cash working capital	70,271	191,454	30,451	(44,231)	(16,987)	14,881
Funds flow provided by operations	$ 157,839	$ 154,842	$ 161,724	$ 206,412	$ 227,796	$ 205,488

Working capital surplus (deficit), *is a capital management measure which the Company uses to describe its liquidity position and its ability to meet its short term liabilities. Working capital surplus (deficit) is defined as current assets less current liabilities:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2023**	2022	**2023**	2022	2021
Current assets	**$ 337,175**	$ 593,602	**$ 337,175**	$ 593,602	$ 574,038
Current liabilities	**258,148**	508,614	**258,148**	508,614	248,258
Working capital surplus	**$ 79,027**	$ 84,988	**$ 79,027**	$ 84,988	$ 325,780

	For the three months ended					
($000s)	September 2023	June 2023	March 2023	September 2022	June 2022	March 2022
Current assets	$ 240,559	$ 322,146	$ 528,744	$ 613,900	$ 695,053	$ 626,916
Current liabilities	298,070	325,103	499,082	384,137	383,557	340,232
Working capital (deficit) surplus	$ (57,511)	$ (2,957)	$ 29,662	$ 229,763	$ 311,496	$ 286,684

Supplementary Financial Measures

"DD&A expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"Dividends paid per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"Effective current tax rate as a per cent of funds flow provided by operations before tax" is comprised of current income tax expense, as determined in accordance with IFRS, divided by funds flow provided by operations before tax.

"G&A expense per boe" is comprised of net G&A expense after recoveries and capitalization, as determined in accordance with IFRS, divided by the Company's total production.

"Net revenue per boe" is comprised of net revenue, as determined in accordance with IFRS, divided by the total equivalent sales volume and includes purchased oil volumes.

"Oil and natural gas sales price per boe" is comprised of total commodity sales from oil and natural gas production, as determined in accordance with IFRS, divided by the Company's total oil and natural gas sales volumes including purchased.

"Price differential and transportation expense per bbl" is comprised of realized oil sales price per bbl, as defined herein, less Brent crude price to calculate the price differential, plus transportation expense per bbl as defined herein.

"Production expense per boe" is comprised of production expense, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased.

"Production per share growth" is comprised of the Company's total oil and natural gas production volumes divided by the weighted average number of basic shares outstanding, whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. Growth is determined in comparison to the comparative year.

"Realized oil sales price per bbl" is comprised of total oil sales, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased.

"Realized natural gas price per Mcf" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas sales volumes.

"Return of capital as a percentage of total funds flow provided by operations" is comprised of dividends declared and shares repurchased during the period, divided by funds flow provided by operations.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased volumes.

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales from production, excluding purchased oil volumes, as determined in accordance with IFRS.

"Transportation expense per bbl" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased.

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent sales volumes including purchased.

Environmental Initiatives Impacting Parex

In Colombia there is currently a nascent regulation that obliges companies to specifically monitor and report greenhouse gas ("GHG") emissions. Although at the present time there is no enforceable regulation related to climate change or GHG emissions in Colombia, Parex has a plan in place to monitor and disclose key metrics surrounding the environmental impacts of Parex's operations. Climate change regulation has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Colombia. Such regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impact of climate change and environmental laws and regulations on Parex, as Parex is unable to predict additional legislation or amendments that the Colombian government may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

As of December 31, 2022, Colombia has ratified the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (the "Escazu Agreement"). The Company cannot predict with any certainty at this time the impacts to the Company that implementation of the Escazu Agreement may entail, as no details are yet available regarding the ways in which implementation will be carried out for the countries that have ratified it. However, it is anticipated that the Escazu Agreement will increase the participation of communities and the demand for access to information, which could affect the processes for obtaining environmental licenses, permits and authorizations applicable to the Company, may result in the incurrence of additional unanticipated costs, and could create friction with the communities, among other risks.

Business Environment and Risks

Parex is exposed to a number of risks through the pursuit of its strategic objectives. Some of these risks impact the oil and gas industry as a whole and others are unique to the Company's operations. The impact of any risk or a combination of risks may adversely affect, among other things, Parex's business, reputation, financial condition, results of operations and cash flows, which may reduce or restrict its ability to pursue its strategic priorities, respond to changes in the operating environment, and fulfill commitments and obligations, and may materially affect the market price of the Company's securities.

The Enterprise Risk Management ("ERM") program drives the identification, measurement, prioritization, and management of risk across Parex. In addition, Parex continuously monitors its risk profile.

Risk Governance

The Company's ERM program, approved by the Board of Directors, outlines the Company's risk management principles and expectations, as well as the roles and responsibilities of all staff. The ERM program includes a Risk Management Framework and Risk Assessment Tools, including a Risk Matrix. The Risk Management Framework contains the key attributes recommended by the International Standards Organization ("ISO") in its ISO 31000 – Risk Management Guidelines (2017). The results of the ERM program are documented in a semi-annual summary presented to the Board of Directors as well as through regular updates.

Risk Factors

Colombia

Parex's indirect Colombian entities have various working interests in numerous exploration blocks in the Llanos basin, as well as the Upper Magdalena, Middle Magdalena and Lower Magdalena basins. Further, all of Parex's oil and gas reserves and production is in Colombia. The contracts have exploration commitments and in some cases a portion of the commitments are guaranteed by issued letters of credit. Therefore, Parex will be subject to additional risks associated with international operations in Colombia.

Social Disruptions and Instability

The oil and natural gas exploration, development and operating activities conducted by Parex may, at times, be subject to disruption. Parex operates in Colombia. In Colombia companies operating in the oil and gas industry have experienced interruptions to their operations and production curtailments as a result of social instability and labour disruptions.

Parex has experienced and continues to experience interruptions to operations as a result of social instability. Refer to the "Guerrilla Activity" in Colombia section below for a description of these events. The Company cannot provide assurances that this type of social instability or labour disruption will not be experienced in future. The potential impact of future social instability, labour disruptions and any lack of public order may have on the oil and gas industry in Colombia, and on the Company's operations in particular, is not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, ability to move equipment such as drilling rigs from site to site, or disruption of infrastructure facilities, including pipelines, production facilities, public roads, and off-loading stations, which could be targets or experience collateral damage as a result of social instability, labour disputes or protests. Parex may suffer loss of production, or be required to incur significant costs in the future to safeguard its assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to the Company's facilities. There can be no assurance that Parex will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Company does suffer damage.

Guerrilla Activity in Colombia

A 50-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both thought to be funded by the drug trade, continues in Colombia. Insurgents continue to attack civilians and violent guerrilla activity continues in certain parts of the country. Regions that border Venezuela and Ecuador have historically been areas of high security risk and there continues to be guerrilla activity.

On September 26, 2016, the Colombian government and the Revolutionary Armed Forces of Colombia ("FARC") signed a peace agreement (the "Peace Agreement") and, on November 30, 2016, the Peace Agreement was ratified by the Colombian government. Pursuant to the Peace Agreement, the FARC agreed to demobilize its troops and urban militia members and hand over its weapons to a United Nations mission within 180 days. The FARC then became a legal political party. Under the Peace Agreement, the FARC was guaranteed at least five seats in the Senate and another five seats in the House of Representatives in the 2018 congressional elections. Despite of these efforts, in August 2019 some former leaders of this group left the process and announced the resumption of hostilities.

On December 31, 2022, President Gustavo Petro announced a bilateral ceasefire, starting on January 1, 2023 until June 30, 2023, initially with five illegal armed organizations: ELN, Segunda Marquetalia, Estado Mayor Central, Autodefensas Gaitanistas de Colombia (AGC) and the Sierra Nevada illegal group. During 2023, the Colombian government has also took part in peace negotiations with the Ejército de Liberación Nacional ("ELN") and announced the start of a peace process with the FARC dissidents, who did not align to the peace agreement signed in 2016. At this time no agreement has been reached with either groups.

The peace negotiations are intended to bring further institutional strengthening and development, particularly to rural regions. The Colombian government's biggest challenge is perceived to be ensuring that the negotiations lead to a long-lasting peace and that demobilized members of the FARC and ELN rejoin civilian life, rather than regrouping in criminal bands.

Continuing attempts to reduce or prevent guerrilla activity may not be successful and guerrilla activity may disrupt Parex Resources Colombia Ltd.'s ("Parex Colombia") operations in the future as it has in prior periods. The Company may not be able to establish or maintain the safety of its operations and personnel in Colombia and this violence may affect its operations in the future. Continued or heightened security concerns in Colombia could also result in a significant loss to Parex and/or costs exceeding current expectations.

Set forth below are a series of events that have impacted Parex's operations:
There were a series of protests across Colombia during May 2021 and again in spring 2022 which resulted in transportation blockades that restricted the production and marketing of Parex's crude oil which resulted in a temporary decrease to Parex production at that time. Additionally, the transportation blockades impeded the supply of materials required for capital expenditure activities, including drilling and completions. The blockades were not directly related to Parex's activities or those of its industry partners. In Colombia labor disruptions can be local or nationwide.

Since 2017 Parex has been performing work on the Capachos Block located approximately 75 kms from the Venezuela border, in the department of Arauca. In 2018, work on the Capachos Block was temporarily suspended for 20 days, due to security concerns for Parex contractors and equipment. During 2021 and 2022, Parex commenced additional operations on the Arauca Block which is in close proximity to Capachos. Historically the ELN has had a presence in the greater area.

During the third quarter 2022, production on the Capachos Block was impacted by temporary localized blockades and during the fourth quarter 2022, production was impacted by proactive shut-ins in the Capachos Block due to security concerns.

On January 21, 2023, the Company proactively shut-in its Capachos Block again and halted drilling operations at the Arauca Block, due to heightened security concerns related to the peace talks at the Federal Government level in Colombia. The shut-ins had a significant impact on Parex drilling and production.

Following the resumption of operations at Capachos in mid-April and Arauca in late May 2023, a social-related shut-in occurred again in early June 2023, which affected both blocks and further halting drilling and production. The shut-in was resolved and the Company had been fully operational at both blocks from late June 2023 until January 2024.

In 2023, there were a total of over 75 days of social related shut-in in the Capachos area and over 100 days of social related shut-in in the Arauca area.

On January 22, 2024, Parex again shut-in its operations at the Capachos Block, as well as halted drilling and testing operations at the Arauca Block due to the ongoing social protests in the area. Operations on Capachos and Arauca resumed on February 22, 2024.

As at the date of this MD&A, the Company has fully resumed operations at its Capachos and Arauca Blocks. Note that the Company's FY 2024 average production guidance remains unchanged due to production contingencies incorporated into the guidance range.

Geopolitical Risks

Parex's results can be adversely impacted by political, legal, or regulatory developments in Canada, Colombia and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact Parex's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licenses and permits for Parex's activities or restrict the operation of third-party infrastructure that Parex relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact Parex's results.

Other government and political factors that could adversely affect Parex's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect Parex's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for Parex's products.

A change in federal, provincial or municipal governments in Canada or Colombia may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada and Colombia, which has resulted in a rise in civil disobedience surrounding oil and natural gas development — particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt Parex's activities.

There have been certain events in Colombia and abroad, which have resulted in political tensions between Colombia and some of its neighboring countries. Colombia is immediately adjacent to Venezuela, which is continuing to go through a period of political uncertainty. The impact on the Company's operations in Colombia as a result of Venezuela's political situation are not known and cannot be reasonably foreseen. However, in recent months, since August 2022, diplomatic relations have been reestablished with the Government of Venezuela and the new government of Colombia, and this situation allows to generate greater cooperation actions to resolve situations at the border. Note that with the exception of the Capachos and Arauca Blocks the Company's reserves and production are not proximate to the Colombia-Venezuela border.

Parex is aware of and at all times complies with any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC").

Although continuity in political relations is expected, the result of these relations remains uncertain, therefore, it is possible that impacts on border towns and cities related to migration and border operations could again occur and therefore, could negatively affect Colombia´s economy, social issues and overall security situation.

Risks of Foreign Operations

Parex's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Parex, including, but not limited to: nationalization, expropriation of property without fair compensation or marketable compensation, or renegotiation or nullification of existing concessions and contracts; the imposition of specific drilling obligations and the development and abandonment of fields; changes in energy and environmental policies or the personnel administering them; changes in oil and natural gas pricing policies; the actions of national labour unions; currency fluctuations and devaluations; currency exchange controls; economic sanctions; and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Parex's operations will be conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. Parex's operations may also be adversely affected by laws and policies of Colombia affecting foreign trade, taxation of the oil and gas sector and investment. If Parex's operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations.

In addition, there can be no assurance that contracts, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

In the event of a dispute arising in connection with Parex's operations in Colombia, Parex may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in such other jurisdictions. Parex may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Parex's exploration, development and production activities in Colombia could be substantially affected by factors beyond Parex's control, any of which could have a material adverse effect on Parex.

Acquiring interests and conducting exploration and development operations in foreign jurisdictions often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase Parex's cost of doing business or affect its operations in any area.

Parex assets and operations are located in Colombia and the Company's sales are currently derived from its Colombian crude oil and natural gas production. Accordingly, the Company's financial condition and results of operations depend to a significant extent on macroeconomic and political and regulatory conditions prevailing from time to time in Colombia and on the exchange rates between the COP and the USD.

If the perception of improved overall security in Colombia deteriorates or if the investment climate worsens, the Colombian economy may face lower growth rates than the ones posted recently, which could negatively affect the Company's financial condition and results of operations.

Parex may in the future acquire oil and natural gas properties and operations outside of Colombia, which expansion may present challenges and risks that Parex has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of Parex.

Royalties

The Colombia government may adopt new royalty regimes, or modify the existing royalty regimes, which may impact the economics of the Company's projects. An increase in royalties reduces the Company's earnings and could make future capital investments, or the Company's operations less economic.

Income Taxes

The Company and its subsidiaries file all required income tax returns and the Company believes that it is in full compliance with applicable Canadian, Colombian, and Swiss tax laws; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company's tax filings, whether by re-characterization of exploration and development expenditures, or questioning the deductibility of expenses or otherwise, such reassessment may have an impact on current and future taxes payable.

In August 2022, the Ministry of Finance submitted a tax reform bill to Congress proposing changes to the Colombian tax regime. The tax reform bill was sanctioned by President Petro as Law 2277 of 2022 on December 13, 2022, and became effective starting January 1, 2023. The law is expected to increase tax collection to approximately COP 20 trillion by the end of 2023 (approximately 3% of the country GDP).

The tax reform includes, among other things:
(a) an income tax surcharge for companies engaged in the extraction of crude oil and coal of 0%, 5%, 10% or 15% and, based on international prices. For fiscal year 2023, the surtax of 5%, 10% or 15% applied when the Brent price reaches USD $68.58/bbl, USD $76.03/bbl and USD $81.27/bbl, respectively, according to ANH Resolution No. 0181 (revenues from the sale of natural gas are not subject to this surtax); and
(b) non-deductibility of royalties

The Colombia government may adopt new tax regimes, or modify the existing tax regimes, which may impact the economics of the Company's projects. In August 2022, a tax reform bill was submitted to Congress proposing significant changes to the Colombian oil and gas tax regime. As part of the 2022 tax reform, the Colombian government banned the deduction royalty payments from the corporate tax liability for oil and natural gas companies. This decision was recently overturned by Colombia's Constitutional Court however the decision continues to be appealed. The outcome of this appeal has the potential to have a significant impact on the Company's earnings and could make future capital investments, or the Company's operations less economic.

Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Company. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

Foreign Subsidiaries

Parex conducts all of its operations in Colombia through foreign subsidiaries and foreign branches. Therefore, to the extent of these holdings, Parex will be dependent on the funds flow provided by the operations of these subsidiaries to meet its obligations excluding any additional equity or debt Parex may issue from time to time. The ability of its subsidiaries to make payments and transfer cash to Parex may be constrained by, among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates; and the introduction of foreign exchange and/or currency controls or repatriation restrictions, or the availability of hard currency to be repatriated.

Legal Systems

Colombia is a civil law jurisdiction. Additionally, all of the Company's material subsidiaries (which excludes its Colombian branches) are domiciled in countries where the legal system is based on civil code. The Colombia branches are domiciled in Colombia, which also has a legal system based upon civil code. There can be no assurance that joint ventures, licenses, license or permit applications or other legal arrangements will not be adversely affected by changes in governments, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

Regulatory Approvals

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (exploration, development, production, pricing, marketing and transportation). In Colombia, the oil and gas industry regulatory body is the ANH, and for environmental permitting a separate body, the National Environmental Licensing Authority. Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Company's costs, either of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In order to conduct oil and natural gas operations, the Company will require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Parex has 50% working interest Block LLA-38 in the Northern Llanos basin subject it its earning commitment to spend $57 million. Activities on this block have been suspended due to security issues in the area impacting development. Parex also has 100% working interest in the Block VSM-25 in the Magdalena basin subject to its earning commitment to spend $19 million. Activities on this block have been suspended due to a local government act that banned oil and gas operations. Judicial ruling is pending to determine the impact. Due to these reasons both of these blocks are in force majeure suspension. There is no certainty that Parex will be permitted to conduct activities on Block LLA-38 and VSM-25.

Indigenous Rights

Parex currently carries out and plans to continue carrying out activities in areas classified by the Government as indigenous reserves and Afro-Colombian lands. To undertake these activities, Parex must first comply with prior consultation processes, set forth by Colombian law. These prior consultation processes are required for obtaining environmental licenses to start projects, works or activities in areas inhabited by ethnic communities. In addition, consultations can be seen as a potential instrument to involve communities in the decision of developing extracting industry and infrastructure projects in their territories. Generally, these consultation processes last between six months to one year depending on the community expectations but may be significantly delayed if an agreement with the communities cannot be reached. Parex strives to be respectful of the constitution and laws and the autonomy of indigenous and afro-descendant communities, and therefore does not enter their territories until an agreement has been reached with them. Parex also strives to structure management plans to prevent, mitigate, repair or offset the impact of projects, as identified by local communities.

In recent years, indigenous communities have also been claiming their ancestral territories and requesting recognition of their right to be consulted about projects already in operation. This opposition results from, among other factors, the communities' view on the exploitation of natural resources, the environment, and the effects on their cultures, territories and spiritual beliefs. According to this, Parex may be exposed to operational restrictions as a result of the opposition of these communities.

No certainty can be given that Parex will be able to reach an agreement with the different communities that object to planned or continued operations or that such communities will participate in consultation processes if available.

Title to Assets

The assignment of working interests under the exploration and production contracts in the jurisdictions in which the Company operates is a detailed and time-consuming process. The Company's properties may be subject to unforeseen title claims. Title to assets in Colombia is by way of an undivided working interest provided by the exploration and exploitation contracts or convenio signed with ANH. While the Company will diligently investigate title to all property and will follow usual industry practice in obtaining satisfactory title opinions and, to the best of the Company's knowledge, title to all of the Company's properties are in good standing, this should not be construed as a guarantee of title. Title to the properties may be affected by undisclosed and undetected defects. The Company does not warrant title to the oil properties.

Risks Associated with Geographically Concentrated Operations

The majority of the Company's production comes from one block in the Llanos Basin in Colombia. For the year ended December 31, 2023, the Tigana, Jacana, Tigui and Tua Fields located in Block LLA-34 collectively generated approximately 54% of the Company's production and at December 31, 2023, Block LLA-34 accounted for 56% of its proved oil and gas reserves. As a result of this concentration, the Company may be disproportionately exposed to the impact of, among other things, regional supply and demand factors including limitations on its ability to most profitably sell or market its oil and gas to a smaller pool of potential buyers, delays or interruptions of production from wells in these areas caused by governmental regulation, community protests, guerrilla activities, processing or transportation capacity constraints, continued authorization by the government to explore and drill in these areas, severe weather events and the availability of drilling rigs and related equipment, facilities, personnel or services. Due to the concentrated nature of the Company's portfolio of properties, a number of the Company's properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on its results of operations than it might have on other companies that have a more diversified portfolio of properties.

The Company relies on local infrastructure and the availability of transportation for storage and shipment of its products. This infrastructure, including storage and transportation facilities, is less developed than that in North America and may be insufficient for the Company's needs at commercially acceptable terms in the localities in which it operates. Further, the Company operates in remote areas and may rely on helicopters, boats or other transportation methods. Some of these transport methods may result in increased levels of risk and could lead to operational delays which could affect the Company's ability to add to its reserve base or produce oil and could have a significant impact on the Company's reputation or cash flow. Additionally, some of this equipment is specialized and may be difficult to obtain in the Company's areas of operations, which could hamper or delay operations, and could increase the cost of those operations.

Non-Operated Risk of Significant Assets

Block LLA-34 is not operated by the Company in which the Company has a 55% working interest, and the majority of the Company's oil production and oil reserves are attributed to that block. As a result, the Company may not have the ability to manage development of the blocks oil and natural gas reserves on a pace that the Company would choose. Further, managing the cost of development is largely the responsibility of the operator of the block. Historically, the operator of Block LLA-34 and the Company have agreed on the exploration and development efforts for the block. The Joint Operating Agreement for the block provides the Company with certain protection such as the right to audit the operator, the right for approval of all capital plans for the block and the approval of an annual capital and operating budget.

Diversification

The Company's business focuses on the petroleum industry in Colombia. Other companies have the ability to manage their risk by diversification; however, the Company lacks diversification, in terms of the geographic scope of its business. As a result, factors affecting the industry or the regions in which it operates will likely impact the Company more acutely than if the Company's business was more diversified.

Expansion into New Activities

The operations and expertise of the Company's management are currently focused primarily on oil and gas production, exploration and development in Colombia. In the future the Company may acquire or move into new industry related activities or new geographical areas and acquire different energy related assets, and, as a result, may face unexpected risks or, alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

United States Relations with Colombia

Colombia is among several nations whose progress in stemming the production and transit of illegal drugs is subject to annual certification by the President of the United States of America. Although Colombia has received a current certification, there can be no assurance that, in the future, Colombia will receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following:

- all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended;
- the Export-Import Bank of the United States and the Overseas Private Investment Company would not approve financing for new projects in Colombia;
- United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes, and
- the President of the United States and Congress would retain the right to apply future trade sanctions.

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with operations there. Any changes in the holders of significant government offices could have adverse consequences on Parex Colombia's relationship with the ANH and the Colombian government's ability to control guerrilla activities, and could exacerbate the factors relating to Parex's subsidiaries foreign operations. Any sanctions imposed on Colombia by the United States government could threaten Parex's subsidiaries ability to obtain any necessary financing to develop the Colombian properties. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be predicted.

Canada relations with Colombia

The Canada-Colombia Free Trade Agreement became effective on August 15, 2011. Through the agreement, Canada's producers and exporters benefit from reduced or eliminated tariffs on nearly all of Canada's exports to Colombia. The agreement also provides a more predictable, transparent and rules-based trading environment for Canadian investors and businesses. The Canada-Colombia Tax Convention came into force June 12, 2012 for the avoidance of double taxation.

Reputational Risk Associated with the Company's Operations

The Company's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Company or as a result of any negative sentiment toward, or in respect of, the Company's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Company's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Company has no control. In particular, the Company's reputation could be impacted by negative publicity related to environmental damage, loss of life, injury or damage to property caused by the Company's operations, or due to opposition from special interest groups opposed to oil and natural gas development. In addition, if the Company develops a reputation of having an unsafe work site it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Company's reputation. Damage to the Company's reputation could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

Forced or Child Labour in Supply Chains

In May 2023 *An Act to enact* the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* and to amend the Customs Tariff was passed and came into force on January 1, 2024 in Canada. Pursuant to the new legislation, any company that is subject to the reporting requirements, including Parex, is required to conduct certain due diligence on its supply chains and to file an annual report accordingly. While the Company is currently unaware of any forced or child labour in any of its supply chains, the increased scrutiny on the supply chains of Canadian companies could uncover the risk or existence of forced or child labour in a supply chain to which the Company has a connection, which could negatively impact the reputation of the Company. Additionally, due to the fact that the reporting requirements are new and thus there is no existing industry standard, the Company is at risk of inadvertently preparing a report that is insufficient.

Corruption

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Company has policies in place to prevent any form of corruption or bribery, which includes enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has received and understood the Company's anticorruption policies. It is possible that the Company, some of its subsidiaries, or some of the Company or its subsidiaries' employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of employees or contractors. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Company's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Company from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern. Further, from time to time the Company may acquire a company that subsequently is subject to a bribery or corruption charge, whereby the Company could assume onerous penalties and/or suffer reputational damage as a result of activities in which the Company had no part.

Liabilities under Anti-Bribery Laws

The Company is subject to anti-bribery laws in Canada and Colombia and may be subject to similar laws in other jurisdictions where it may operate in the future. The Company may face, directly or indirectly, corrupt demands by federal or local officials, tribal or insurgent organizations, international organizations, contractors looking for work with Parex, or other private entities. As a result, the Company faces the risk of unauthorized payments or offers of payments by employees, contractors, agents, and partners of its subsidiaries or affiliates, given that these parties are not always subject to the Company's control or direction. It is the Company's policy to prohibit these practices. However, the Company's existing safeguards and any future improvements to those measures may prove to be less than effective or may not be followed, and the Company's employees, contractors, agents, and partners may engage in illegal conduct for which it might be held responsible. A violation of any of these laws, even if prohibited by the Company's policies, may result in criminal or civil sanctions or other penalties (including profit disgorgement) as well as reputational damage and could have a material adverse effect on the Company's business and financial condition.

Pandemics and their Effect on the Global Economy

In the event of a global pandemic, countries around the world may close international borders and order the closure of institutions and businesses deemed non-essential. This could result in a significant reduction in economic activity in Canada, Colombia and internationally along with a drop in demand for oil and natural gas. Any reduction in economic activity in certain countries resulting from outbreaks, government-imposed lockdowns and other restrictions could have a negative effect on demand for oil and natural gas and could aggravate the other risk factors identified herein.

The Israel - Palestine War

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on the Israeli population and industrial centres located along Israel's border with the Gaza Strip and in other areas within the State of Israel. Following the attack, Israel's security cabinet declared war against Hamas and the military campaign against these terrorist organizations has launched a series of responding attacks in Palestine.

The outcome of the conflict has the potential to have wide-ranging consequences on the world economy. Global oil prices have increased since the beginning of the Israel-Palestine war. While neither Israel nor the Gaza Strip are significant oil producers, there is a risk that the conflict could lead to wider regional instability in the Middle East, home to some of the world's biggest oil producers. To date, these events have not impacted the Company's ability to carry on business, and there have been no significant delays or direct security issues affecting the Company's operations, offices or personnel. The long-term impacts of the conflict remain uncertain and the Company continues to monitor the evolving situation.

The War in Ukraine

In February 2022, Russian military forces invaded Ukraine. Ukrainian military personnel and civilians continue to actively resist the invasion. Many countries throughout the world have provided aid to Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in its resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. Additionally, certain countries including Canada have imposed strict financial and trade sanctions against Russia. The outcome of the ongoing conflict remains uncertain and may have wide-ranging consequences on the peace and stability of the region and the world economy.

Commodity Prices, Markets and Marketing

Numerous factors beyond the Company's control do, and will continue to affect the marketability and price of oil and natural gas acquired, produced or discovered by the Company. Accordingly, commodity prices are the Company's most significant financial risk. The Company's ability to market its oil and natural gas may depend upon its ability to acquire capacity on pipelines to deliver that oil and natural gas to commercial markets. Deliverability uncertainties related to the distance the Company's reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities and government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil, and natural gas. Many other aspects of the oil and natural gas business may also affect the Company. At present, crude oil sales are generally benchmarked against Brent reference prices and subject to price differentials for crude quality.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of additional factors beyond the control of the Company. These factors include economic and political conditions, in the United States, Canada, Europe, China and emerging markets, the actions of OPEC and other oil and gas exporting nations, governmental regulation, political stability in the Middle East, Ukraine, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, risks of supply disruption, the price of foreign imports, and the availability of alternative fuel sources. Prices for oil and natural gas are also subject to the availability of foreign markets and the Company's ability to access such markets. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices.

All these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas production, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of the Company's reserves, borrowing capacity, revenues, profitability and funds flow provided by operations, and may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Oil and natural gas prices may be volatile for a variety of reasons including market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, pandemics, OPEC and non-OPEC producers actions in respect of supply, political uncertainties, sanctions imposed on certain oil producing nations by other countries and ongoing conflicts in the Middle East and elsewhere. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects. The Company monitors market

conditions and may selectively utilize derivative instruments to reduce exposure to crude oil price movements. However, the Company is of the view that it is neither appropriate nor possible to eliminate 100% of its exposure to commodity price volatility.

Reserves Estimates

There are numerous uncertainties inherent in estimating reserves, and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties; production rates; ultimate reserve recovery; timing and amount of capital expenditures; marketability of oil and natural gas; royalty rates; and the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Company's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Company's reserves since that date.

Conditions in the Oil and Natural Gas Industry

The petroleum industry is competitive in all of its phases. The Company competes with numerous other entities in the exploration, development, production and marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, and reliability of delivery and storage.

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers may generate sufficient funds flow provided by operations to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. The cost of purchasing land or properties and work commitments associated with new exploration blocks similarly can increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers may also decline.

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by Parex will result in discoveries of oil or natural gas that are commercially or economically feasible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Parex's operations will be subject to all the risks normally associated with the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to property of Parex and others. In accordance with customary industry practice, Parex will maintain insurance coverage, but will not be fully insured against all risks, nor are all such risks insurable.

Oil and natural gas exploration and development activities are dependent on the availability of seismic, drilling, completions and other specialized equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Parex and may delay exploration and development activities.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Company's existing reserves and the production from them will decline over time as the Company produces from such reserves. A future increase in the Company's reserves will depend on both the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able continue to find satisfactory properties to acquire or participate in. Moreover, management of the Company may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

The Company is exposed to a high level of exploration risk. The Company's current and future proved reserves (to the extent discovered or acquired) will decline as reserves are produced from its properties unless the Company is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital-intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance the Company's future exploration, development and acquisition activities will result in material additions of proved reserves. To manage this risk, to the extent possible, Parex employs highly experienced geologists and geophysicists and technology such as 3D seismic as a primary exploration tool and focuses exploration efforts in known hydrocarbon-producing basins. In addition, the Company takes a portfolio approach to exploration by dispersing drilling locations among different exploration blocks and geological basins and by targeting multiple play-types. The Company may also choose to mitigate exploration risk through acquisitions that may require raising funds.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and production declines from normal field operating conditions, which can negatively affect revenue and funds flow provided by operations levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife. In particular, the Company may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Company.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance and business interruption insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event the Company could incur significant costs.

Gathering and Processing Facilities and Pipeline Systems

The Company delivers its products through gathering, processing and pipeline systems, some of which it does not own. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. The Company currently produces oil in multiple basins in Colombia and is heavily reliant on the Ocensa pipeline system. Although pipeline expansions in Colombia have occurred from time to time, the lack of firm pipeline capacity may limit the ability to produce and to market oil and natural gas production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Company's business and, in turn, the Company's financial condition, results of operations and funds flow provided by operations.

All of the Company's production is delivered for export to shipment on facilities owned by third parties and over which the Company does not have control. From time to time, these facilities may discontinue or decrease operations, either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Company's ability to process its production and to deliver the same for sale. Unexpected shut-downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Company's production, operations and financial results.

Availability of Drilling Equipment and Access

Oil and natural gas exploration, development and operating activities are dependent on the availability of third-party contractor drilling and related equipment as well as skilled personnel trained to use such equipment in the areas where such activities will be conducted. Demand for such limited equipment and skilled personnel or access restrictions may affect the availability of such equipment and skilled personnel to the Company and may delay exploration and development activities.

Power Supply

Several of the Company's producing fields are connected to the national transmission system and depend on its expansion and reliability to keep stable production levels. The national electricity market is volatile due to changes in hydrology and availability of fuels (natural gas, diesel, etc.), which brings uncertainty to energy prices. If energy were to become unavailable or difficult to obtain, the Company's results of operation and financial condition could be adversely affected.

Water Management

Parex produces water as part of its operations. Taking into account the nature of reservoirs, the water production levels to be managed by the Company may increase in the future. In order to achieve oil and gas production goals and to avoid any production restrictions going forward, Parex will need to secure the required capacity to manage water levels. Factors that may trigger a possible constraint to the Company's crude oil production due to the rising water production levels are: (i) ineffective project management of the required facilities, (ii) the Company’s and its partners’ ability to timely obtain the environmental permits related to water management, (iii) social and community interactions that could affect the development and operation of these projects, and (iv) the availability of capital to execute the required projects.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses and assets may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company may realize less on disposition than their carrying value on the financial statements of the Company.

Abandonment and Reclamation Cost Risk

Parex is subject to oil and gas asset abandonment, remediation and reclamation liabilities for its operations including those imposed by regulation under federal, territorial, state, regional and municipal legislation in the jurisdictions in which the Company conduct operations. Parex maintains estimates of abandonment, remediation and reclamation liabilities; however, it is possible that these costs may change materially before decommissioning due to regulatory changes, technological changes, acceleration of decommissioning timelines, and inflation, among other variables. The present value cost for decommissioning and abandonment of wells and facilities is estimated based on known regulations, procedures, and costs today for undertaking the decommissioning, the majority of which is projected to be incurred in the 2030s.

Environmental Regulation and Risks

The Company is subject to environmental laws and regulations that affect aspects of the Company's past, present and future operations. All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to extensive national, provincial and local environmental laws and regulations in Colombia that will and do affect nearly all of the operations of Parex. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air emissions, water quality, wastewater discharges and the generation, transport and disposal of waste and hazardous substances; provide for penalties and other liabilities for the violation of such standards; and establish, in certain circumstances, obligations to remediate current and former facilities and locations where oil and gas operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation and unconventional blocks.

There is uncertainty around the impact of environmental laws and regulations, including those currently in force and proposed laws and regulations, and Parex cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered, interpreted from time to time, or enforced. It is not possible to predict the outcome and nature of these requirements on the Company and its business at the current time; however, failure to comply with current and proposed regulations can have a material adverse impact on the Company's business and results of operations by substantially increasing its capital expenditures and compliance costs and its ability to meet its financial obligations, including debt payments. It may also lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions which may have an impact on production operations. Further, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by Parex for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on Parex.

Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Company's activities have the potential to impair natural habitat, damage plant and wildlife, or cause contamination to land or water that may require remediation under applicable laws and regulations. These laws and regulations require the Company to obtain and comply with a variety of environmental registrations, licenses, permits and other approvals. In Colombia, licensing and permitting processes relating to the exploring and drilling for and development of oil and natural gas takes significant time and it is outside the control of the Company, specifically, the Exploitation License that may cause operational delays and higher development costs. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Both public officials and private individuals may seek to enforce or change environmental laws and regulations against the Company.
Significant liability could be imposed on Parex for costs resulting from potential unknown and unforeseeable environmental impacts arising from the Company's operations, including damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by Parex or non-compliance with environmental laws or regulations. While these costs have not been material to the Company in the past, there is no guarantee that this will continue to be the case in the future.

Given the nature of the Company's business, there are inherent risks of oil spills occurring at the Company's drilling and operating sites. Large spills of oil and oil products can result in significant clean-up costs. Oil spills can occur from operational issues, such as operational failure, accidents and deterioration and malfunctioning of equipment. In Colombia where the Company operates, oil spills can also occur as a result of sabotage and damage to the pipelines. Further, the Company sells oil at various delivery stations and the oil can be transported by truck. There is an inherent risk of oil spills caused by road accidents which the Company may still be deemed to be responsible for as the owner of the crude oil. All of these may lead to significant potential environmental liabilities, such as clean-up and litigation costs, which may materially adversely affect the Company's financial condition, funds flow provided by operations and results of operations. Depending on the cause and severity of the oil spill, the Company's reputation may also be adversely affected, which could limit the Company's ability to obtain permits and affect its future operations.

To prevent and/or mitigate potential environmental liabilities from occurring, the Company has policies and procedures designed to prevent and contain oil spills. The Company works to minimize spills through a program of well designed facilities that are safely operated, effective operations integrity management, continuous employee training, regular upgrades to facilities and equipment, and implementation of a comprehensive inspection and surveillance system. Also, the Company's facilities and operations are subject to routine inspection by various Federal and Provincial authorities in Colombia to evaluate the Company's compliance with the various laws and regulations.

Climate Change

There is growing international concern regarding climate change and there has been a significant increase in focus on the timing and pace of the transition to a lower-carbon economy. Governments, financial institutions, insurance companies, environmental and governance organizations, institutional investors, social and environmental activists, and individuals, are increasingly seeking to implement, among other things, regulatory and policy changes, changes in investment patterns, and modifications in energy consumption habits and trends which, individually and collectively are intended to or have the effect of accelerating the reduction in the global consumption of carbon based energy, the conversion of energy usage to less carbon-intensive forms and the general migration of energy usage away from carbon-based forms of energy.

Climate change and its associated impacts may increase the Company's exposure to, and magnitude of, each of the risks identified in the Risk Factors section of this MD&A. Overall, Parex is not able to estimate at this time the degree to which climate change related regulatory, climatic conditions, and climate-related transition risks could impact the Company's financial and operating results. The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, access to insurance, cost of borrowing, access to liquidity and ability to fund business plans may, in particular, without limitation, be adversely impacted as a result of climate change and its associated impacts.

Climate Change Transition Risks

Climate Change Related Regulation and Policies

Governments around the world have become increasingly focused on regulating GHG emissions and addressing the impacts of climate change in some manner. GHG emissions legislation is emerging and subject to change. For example, on an international level, in December 2015, almost 200 nations agreed to an international climate change agreement in Paris, France (the "Paris Agreement"), that calls for countries to set their own GHG emission targets and be transparent about the measures each country will use to achieve its GHG emission targets. Colombia has signed the Paris Agreement. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact the Company's business, any such future laws and regulations that limit emissions of GHGs could adversely affect demand for the oil and natural gas that the Company produces. Current GHG emissions legislation has not resulted in material compliance costs; however, it is not possible at this time to predict whether proposed legislation or regulations will be adopted, and any such future laws and regulations could result in additional compliance costs or additional operating restrictions. If the Company is unable to recover a significant amount of its costs related to complying with climate change regulatory requirements imposed on Parex, it could have a material adverse impact on the business, financial condition and results of operations. In addition, significant restrictions on GHG emissions could result in decreased demand for the oil that the Company produces, with a resulting decrease in the value of the Company's reserves. Further, to the extent that financial markets view climate change and GHG emissions as a financial risk, this could negatively impact the Company's cost of or access to capital.

Climate Change Related Litigation

In recent years there has been an increase in climate change related litigation in various jurisdictions including Canada, the U.S., and internationally. Various claims have been asserted against energy producers, including the contributions of such energy producers to climate change, or alleged failure of such producers to reasonably manage business risks associated with climate change or adequately disclose business risks of climate change. While many of the climate change related actions are in preliminary stages of litigation, and in some cases, claimants asserted novel or unproven causes of action, there can be no assurance that legal, societal, scientific and political developments will not increase the likelihood of successful climate change related litigation against energy producers, including Parex. The outcome of any such litigation is uncertain and may materially impact Parex's business, financial condition or results of operations. Parex may also be subject to adverse publicity associated with such matters, which may negatively affect public perception and reputation, regardless of whether the Company is ultimately found responsible. Parex may be required to incur significant expenses or devote significant resources in defense against any such litigation.

Technology

Parex's business depends on, among other things, the availability and scalability of existing and emerging technologies to meet its goals, including ESG targets and goals. Limitations related to the development, adoption and success of these technologies could have a negative impact on long-term business resilience.

Demand and Commodity Prices

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar affect on the demand for oil and gas products. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and funds flow provided by operations by decreasing the Company's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Access to Capital and Insurance

Capital markets are adjusting to the risks that climate change poses and as a result, Parex's ability to access capital and secure necessary or prudent insurance coverage may also be adversely affected in the event that institutional investors, credit rating agencies, lenders and/or insurers adopt more restrictive decarbonization policies. Certain insurance companies have taken actions or announced policies to limit available coverage for companies which derive some or all of their revenue from the oil and gas sector. As a result of these policies, premiums and deductibles for some or all of the Company's insurance policies could increase substantially. In some instances, coverage may be reduced or become unavailable. As a result, Parex may not be able to renew existing policies, or procure other desirable insurance coverage, either on commercially reasonable terms, or at all. The future development of the business may be dependent upon the Company's ability to obtain additional capital, including debt and equity financing.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and gas operations on the environment, environmental damage relating to spills of petroleum products during transportation and indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of Parex's common shares even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's assets which may result in an impairment charge.

Shareholder Activism

Shareholder activism has been increasing generally and in the energy industry. Investors may from time to time attempt to effect changes to Parex's business or governance, with respect to climate change or otherwise, by means such as shareholder proposals, public campaigns, proxy solicitations or otherwise. Such actions could adversely impact the Company by distracting the Board and employees from core business operations, increasing advisory fees and related costs, interfering with the Company's ability to successfully execute on strategic transactions and plans and provoking perceived uncertainty about the future direction of the business.

Climate Change – Physical Risks

Extreme climatic conditions may also have material adverse effects on Parex's financial condition and results of operations. Weather and climate affect demand, and therefore, the predictability of the demand for energy is affected to a large degree by the predictability of weather and climate. In addition, Parex's exploration, production and construction operations, and the operations of major customers and suppliers, can be affected by floods, forest fires, earthquakes, hurricanes, and other extreme weather events. This may result in cessation or diminishment of production, delay of exploration and development activities or delay of plant construction.

Climate change may increase the frequency of severe weather conditions in these locations including winds, flooding and variable temperatures.

Other crude oil and natural gas production activities are also subject to chronic physical risks such as a shorter timeframe for the Company's dry season drilling program, changes in the water table and reduced access to water due to drought conditions. A systemic change in temperature or precipitation patterns could result in more challenging conditions for the construction and reclamation activities and could reduce the availability of water due to the increasing likelihood of drought conditions.

Parex ESG Targets and Ambitions

Parex has set ambitious, achievable targets for ESG including eliminating flaring and reducing operational emissions. To achieve these goals and to respond to changing market demand, the Company may incur additional costs and invest in new technologies and innovation. It is possible that the return on these investments may be less than expected, which may have an adverse effect on the Company's business, financial condition and reputation.

ESG targets and ambitions depend significantly on the Company's ability to execute on current business strategy, which can be impacted by the numerous risks and uncertainties associated with the business and the industry in which Parex operates, as outlined in this section of this MD&A. Parex recognizes that the ability to adapt to and succeed in a lower-carbon economy will be compared against its peers. Investors and stakeholders increasingly compare companies based on ESG-related performance, including climate-related performance. Failure to achieve ESG targets and ambitions, or a perception among key stakeholders that the ESG targets and ambitions are insufficient or unattainable, could adversely affect the Company's reputation and ability to attract capital and insurance coverage.

There is also a risk that some or all of the expected benefits and opportunities of achieving the various ESG targets and ambitions may fail to materialize, may cost more to achieve or may not occur within the anticipated time periods. In addition, there are risks that the actions taken in implementing targets and ambitions relating to ESG may have a negative impact on the Company's existing business and increase capital expenditures, which could have a negative impact on the future operating and financial results.

GHG Emissions Targets and Ambitions

Parex has set a target to reduce operational Scope 1 and 2 GHG emissions by 50 percent by year-end 2030 from a 2019 baseline. Parex also has a long-term ambition to achieve net zero Scope 1 and 2 GHG emissions from operations by 2050. The ability to meet the 2030 GHG reduction target and 2050 net zero ambition are subject to numerous risks and uncertainties and actions taken in implementing such target and ambition may also expose the Company to certain additional and/or heightened financial and operational risks. Furthermore, the long-term ambition of reaching net zero emissions by 2050 is inherently less certain due to the longer timeframe and certain factors outside of the Company's control, including the commercial application of future technologies that may be necessary to achieve this long-term ambition.

A reduction in GHG emissions relies on, among other things, the ability to develop, access and implement commercially viable and scalable emission reduction strategies and related technology and products. If the Company is unable to implement these strategies and technologies as planned without negatively impacting expected operations or cost structures, or such strategies or technologies do not perform as expected, Parex may be unable to meet the 2030 GHG reduction target or 2050 net zero emissions ambition on the current timelines, or at all.

In addition, achieving the 2030 GHG reduction target and 2050 net zero ambition relies on a stable regulatory framework and will require capital expenditures and Company resources, with the potential that actual costs may differ from the original estimates and the differences may be material. Furthermore, the cost of investing in emissions-reduction technologies, and the resultant change in the deployment of resources and focus, could have a negative impact on future operating and financial results.

Diversity and Inclusion Target

The Company's inclusion and diversity target for the Board of Directors to have at least 30 percent representation from any one gender has been achieved since 2022. Efforts to continue to meet such target may increase the time and costs associated with appointing and replacing key personnel in the future. Further, a failure to achieve the target in the future may influence the Company's reputation with its stakeholders and impact recruitment initiatives.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

Information Technology Systems and Cyber-Security

The Company has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. The Company depends on various information technology systems to estimate reserve quantities, process and record financial data, manage its land base, manage financial resources, analyze seismic information, administer its contracts with its operators and lessees and communicate with employees and third-party partners.

Further, the Company is subject to a variety of information technology and system risks as a part of its operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to the Company's business activities or its competitive position.

In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company's employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Company's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

The Company maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Company also employs encryption protection of its confidential information, all computers and other electronic devices. Despite the Company's efforts to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage its information technology infrastructure. The Company applies technical and process controls in line with industry-accepted standards to protect its information assets and systems including a written incident response plan for responding to a cyber-securities incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's performance and earnings, as well as on its reputation and any damages sustained may not be adequately covered by the Company's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Dependence on Management

The Chief Executive Officer and the other senior officers of the Company are critical to its success. In the event of the departure of the Chief Executive Officer or another senior officer, the Company believes that it will be successful in attracting and retaining qualified successors, but there can be no assurance of such success.

If the Company is not successful in attracting and retaining qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future funds flow provided by operations, earnings, results of operations and financial condition. The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration, development and operation of oil and gas properties in the jurisdictions in which the Company operates is limited, and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, technical and operations staff, as necessary. If Parex is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future funds flow provided by operations, net income, results of operations and financial condition.

Labour Relations

Parex operates in a country that has large state sponsored or majority owned oil and gas companies that have traditionally employed unionized personnel. From time to time, unions may attempt or threaten to disrupt field operations and crude oil transportation activities of their employers which may directly or indirectly effect the operations of Parex.

In addition, in the legislative field in Colombia, new labor legislation is expected to be enacted during 2024. The proposed law includes an 18-point reform to individual and collective labor legislation. Some of the changes cover areas such as: job stability and hiring modalities; outsourcing/subcontracting; parameters on the use of service contracts; apprenticeship contracts; workday length; decarbonization; work on digital platforms; informal and migrant work, among others. Parex cannot assure the contents of the final legislation or that it will not have an adverse effect on the Company's operations and financial condition.

Liquidity

The Company's ability to fund current and future capital projects and carry out the business plan is dependent on its ability to generate cash flow, as well as raise capital in a timely manner under favourable terms and conditions and is impacted by the Company's credit ratings and the condition of the capital and credit markets. In addition, changes in credit ratings may affect the ability to, and the associated costs of, entering into derivative or hedging transactions, as well as entering into and maintaining certain contracts with customers and suppliers on acceptable terms. For example, if Parex experiences a downgrade in its credit ratings, it may be required to post collateral, letters of credit, cash or other forms of security as financial assurance for its performance under certain contractual arrangements with third parties. The occurrence of any of the foregoing could adversely impact the Company's ability to execute portions of its business strategy, including hedging, and could have a material adverse effect on the Company's liquidity and capital position. Management of liquidity risk requires Parex to maintain sufficient cash and cash equivalents, along with other sources of capital consisting of cash flow from operating activities, available credit facilities, commercial paper, and access to debt capital markets, to meet its obligations as they become due.

Credit Facilities

The Company currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Company is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or, if drawn, repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. In addition, the Company's credit facility may impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others. The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors, to periodically determine the Company's borrowing base. While commodity prices have recently increased, they remain volatile as a result of various factors including actions taken to limit OPEC and non-OPEC production, the Russia - Ukraine war, the Israel - Palestine war, pandemics, and production by U.S. shale producers. Depressed commodity prices could reduce the Company's borrowing base, reducing the funds available to the Company under the credit facility. This could, if the credit facility is drawn, result in the requirement to repay a portion, or all, of the Company's indebtedness.

The Borrowing Base Under Parex's Revolving Credit Facility May be Reduced

The borrowing base under the Company's revolving Credit Facility is currently $200 million. Parex's borrowing base is re-determined by the lenders twice per year. The Company's borrowing base may decrease as a result of fluctuations in oil and natural gas prices, operating difficulties, declines in reserves, unforeseen increase cost, lack of sufficient lenders willing to participate in the facility and lending requirements or regulations.

Additional Funding

Depending on future exploration, development, acquisition and divestiture plans, Parex may require additional financing. The ability of Parex to arrange any such financing in the future will depend in part upon the prevailing capital market conditions, risk associated with the international operations, as well as the business performance of Parex. Periodic fluctuations in commodity prices may affect lending policies for potential future lenders. This in turn could limit growth prospects in the short run or may even require Parex to dedicate existing cash balances or funds flow provided operations, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Parex will be successful in its efforts to arrange additional financing on terms satisfactory to Parex. Due to the conditions in the oil and gas industry, global economic volatility, and that the Company operates in an emerging market country, the Company may from time to time have restricted access to capital and increased borrowing costs. If additional financing is raised by the issuance of shares from the treasury of Parex, control of Parex may change and shareholders may suffer additional dilution.

As a result of global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, forgo certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its bylaws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time, could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Dilution

In order to finance future operations or acquisition opportunities, the Company may issue common shares or raise funds through the issuance of common shares or the issuance of debt instruments or securities convertible into common shares, which will be dilutive to Parex shareholders. The Company cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into common shares or the effect, if any, that future issuances and sales of the Company’s securities will have on the market price of Parex's common shares.

Third-Party Credit Risk

Parex may be exposed to third-party credit risk through its contractual arrangements with its current or future customers of its crude oil and natural gas sales and counterparties to the Company's derivative risk management contracts. In addition, Parex may be exposed to third-party credit risk from purchasers' of assets from Parex for various liabilities, including well abandonment and reclamation obligations assumed by the purchasers. If such third parties fail to meet their contractual obligations to Parex, such failures may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects. The use of derivative risk management contracts involves the risk that the counterparties will be unable to meet the financial terms of such transactions. Parex is unable to predict changes in a counterparty's creditworthiness or ability to perform. Even if Parex accurately predicts the sudden changes, the Company's ability to negate this risk may be limited depending upon market conditions and the contractual terms of the agreements. During periods of declining commodity prices, the Company's derivative receivable positions generally increase, which increases the Company's counterparty credit exposure. Should any of such third parties be petitioned for bankruptcy, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, Parex may be unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Variations in Foreign Exchange Rates

The Company’s main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Cdn and COP, as the Company’s functional currency is the USD. The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies.

The USD/COP exchange rate has fluctuated significantly during the last several years. Given the effects of rising inflation, increasing interest rates in the U.S. and Colombia, different global growth perspectives, pandemics, political tensions in the world's largest economies, current and expected crude oil prices in the next few years and political uncertainty in Colombia, there is no clear view of how the USD and the COP will behave in the medium to long-term. Continued market volatility is expected to continue to lead to USD fluctuations that will remain difficult to forecast.

Inflation and Cost Management

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

Rising Interest Rates

Many central banks including the Bank of Canada, the Bank of Colombia and U.S. Federal Reserve have taken steps to raise interest rates in an attempt to combat inflation. The increase in borrowing costs may impact project returns and future development decisions, which could have a material adverse effect on the Company's financial performance and cash flows. If market interest rates continue to rise, the Company's financing expenses could increase and the cost of capital will deteriorate, which could have an adverse effect on the Company's ability to execute certain projects, results of operations and financial condition. Finally, if Parex incurs new debt in the future to fund working capital, capital projects or acquisitions, the prevailing interest rates and spreads at any specific time could be less favorable in terms of cost, which could adversely affect the Company's financial condition and results of operations.

Rising interest rates could also result in a recession in Canada, Colombia, the United States or other countries. A recession may have a negative impact on demand for crude oil and natural gas, causing a decrease in commodity prices.

Insurance and Security

Parex maintains insurance coverage as part of its risk management program. However, such insurance may not provide comprehensive coverage in all circumstances, nor are all such risks insurable. Parex self-insures some risks, and its insurance coverage does not cover all the costs arising out of the allocation of liabilities and risk of loss arising from the Company's operations.

The Company's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead Parex to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Company's overall risk exposure could be increased and Parex could incur significant costs.

Colombia has a publicized history of security problems. The Company and its personnel are subject to these risks, but through effective security and social programs, Parex believes these risks can be effectively managed. The Company maintains insurance in an amount that it considers adequate and consistent with industry practice and its operations, however, it is difficult to obtain insurance coverage to protect against terrorist incidents and, as a result, the Company's insurance program excludes this coverage. Consequently, incidents like this in the future could have a material adverse impact on the Company's operations.

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. In recent years, the volatility of commodities has increased, in part, due to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, in certain jurisdictions institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and put downward pressure on the trading price of those securities. Similarly, the market price of Parex's common shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Parex's common shares will trade cannot be accurately predicted.

Risk Management of Commodity Prices or Currency

From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's risk management arrangements may expose itself to the risk of financial loss in certain circumstances, including instances where: production falls short of the hedged volumes or prices fall significantly lower than projected; a widening of price-basis differentials between delivery points for production and the delivery point assumed in the risk management arrangement; the counterparties to the risk management arrangements or other price risk management contracts fail to perform under those arrangements; or a sudden unexpected event materially impacts oil and natural gas prices. The Company may also enter into agreements to receive currencies at a fixed price or fix interest rates of floating rate-based debt. Therefore, similar to commodity price risk management, there are risks associated with any currency or interest rate swap, or commodity derivative agreement.

Purchase of Securities under the NCIB

Any potential purchase of Parex securities by the Company under the NCIB is at the discretion of the Board, and is dependent upon, among other things, cash flow, results of operations, financial condition of the Company, the need for funds to finance ongoing operations and other considerations, as the Board of Directors considers relevant.

Dividends

Regular and special dividends are not guaranteed and could fluctuate with the performance of the Company and its subsidiaries. The Board of Directors has the discretion to determine the amount of dividends to be declared and paid to shareholders each quarter. In determining the level of dividends, the Board of Directors will take into consideration numerous factors, including current and expected future levels of earnings; cash flow from operating activities; income taxes; capital expenditures; working capital requirements; current and potential future environmental liabilities; the impact of interest rates and/or foreign exchange rates; crude oil prices; the need for funds to finance ongoing operations and other considerations, as the Board of Directors considers to be relevant. Dividends may be increased, reduced, suspended or eliminated entirely depending on the Company’s operations and the performance of its assets and businesses.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that provides technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Company does implement such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be affected adversely and materially. If the Company is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies its business, financial condition and results of operations could also be adversely affected, potentially in a material way.

Earnings of the Company

The Company's accounting policies conform to IFRS which constitutes generally accepted accounting principles in Canada. Accounting under IFRS may result in non-cash charges and /or write-downs of net assets in the financial statements on a quarterly basis. Similarly, non-cash gains and reversals of asset write-downs may also be recorded from time-to-time. Income statement volatility resulting from such non-cash gains and losses under IFRS may be viewed unfavorably by the market and could result in an inability to borrow funds and/or could result in a decline in the price of the common shares.

Accounting Adjustments

The presentation of financial information in accordance with IFRS requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the Company's consolidated financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the consolidated financial statements. Such non-cash charges and write-downs may be viewed unfavorably by the market and may result in an inability to borrow funds and/or may result in a decline in the price of the Company's common shares.

Lower oil and gas prices may increase the risk of write-downs of Parex's oil and gas property investments. Under IFRS, property, plant and equipment costs are aggregated into groups known as CGUs for impairment testing. CGUs are reviewed for indicators that the carrying value of the CGU may exceed its recoverable amount. If an indication of impairment exists, the CGU's recoverable amount is then estimated. A CGU's recoverable amount is defined as the higher of the fair value less costs to sell and its value in use. If the carrying amount exceeds its recoverable amount an impairment loss is recorded to comprehensive net income in the period to reduce the carrying value of the CGU to its recoverable amount. While these impairment losses would not affect funds flow provided by operations, the charge to comprehensive net income could be viewed unfavourably in the market.

Cash from Subsidiaries

The Company's ability to obtain cash from its foreign subsidiaries may be restricted. The Company currently conducts all of its operations through its foreign subsidiaries and foreign branches. Therefore, the Company will be dependent on the funds flow provided by the operations of these subsidiaries to meet its obligations and/or pay any future dividends. The ability of its subsidiaries to make payments to the Company may be constrained by, among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdictions in which it operates; the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated; and contractual restrictions with third parties. Currently, there are no restrictions on the repatriation from Colombia of earnings to foreign entities; however, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future.

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers are engaged and will continue to be engaged in the search for oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the Business Corporation Act (Alberta) ("ABCA") which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Based on their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Forward-Looking Statements May Prove Inaccurate

Shareholders and investor are cautioned not to place undue reliance on forward-looking statements and other future looking financial information. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found under the heading "Advisory on Forward Looking Statements" of this MD&A.

Internal Controls over Financial Reporting

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation authorities is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Parex evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded Parex DC&P were effective as at December 31, 2023.

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Parex;
2) Are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of Parex are being made in accordance with authorizations of management and Directors of Parex; and
3) Are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial reports.

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining ICFR for Parex. They have, as at the financial year ended December 31, 2023, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Parex officers used to design the Company's ICFR is the 2013 Internal Control - Integrated Framework ("COSO Framework") published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Parex conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2023 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2023, Parex maintained effective ICFR. It should be noted that while Parex officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

There were no changes in Parex's ICFR during the year ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the twelve months ended December 31, 2023 other than normal course guarantees entered into in the form of letters of credit to support the exploration work commitments on its blocks. For further information refer to "Contractual Obligations, Commitments and Guarantees" section above and note 26 - Commitments and Contingencies in the audited consolidated financial statements.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity.

Related Party Transactions

Compensation of Key Management Personnel

Key management personnel compensation, including directors, is as follows:

		2023		2022
Salaries, directors' fees and other benefits	**$**	**5,448**	$	4,972
Equity settled share-based compensation		**637**		709
Cash settled share-based compensation		**5,841**		7,984
	$	**11,926**	$	13,665

Other related party transactions

The Company did not have any related party transactions with entities outside the consolidated group for the years ended December 31, 2023 and 2022.

Material Accounting Policies

Refer to note 3 - Summary of Material Accounting Policies of the audited consolidated financial statements for a summary of significant accounting policies applied by the Company.

Significant Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make significant judgments, assumptions and estimates that affect the financial results of the Company. The following discussion outlines the accounting policies and practices involving the use of estimates that the Company believes are critical in determining Parex's financial results.

Oil and natural gas reserves

The Company retains qualified independent reserves evaluators to evaluate the Company's proved and probable oil and natural gas reserves. As at December 31, 2023 and in prior periods, Parex's reserves were evaluated by GLJ Ltd., who are a firm of qualified independent reserves evaluators. The evaluation was conducted in accordance with the COGE handbook and NI 51-101. The Operations and Reserves Committee of the Company's Board of Directors is comprised of independent directors whose mandate is to steward the reserves evaluation process.

The estimation of reserves involves the exercise of judgment. Forecasts are based on engineering data, expected rates of production and the timing of future capital expenditures, all of which are subject to major uncertainties and interpretations. The Company expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net income, as they are a key component in the calculation of DD&A and for determining potential asset impairment. A downward revision in reserves estimates or an increase in estimated future development costs could result in the recognition of a higher DD&A charge to net income.

Oil and natural gas assets (development and producing costs) are aggregated into CGUs based on their ability to generate largely independent cash flows. If the carrying value of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net income. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell may be determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of impairments charged to net income.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net income.

Decommissioning and Environmental Liabilities

The Company is required to recognize a liability for future dismantling, decommissioning, environmental, abandoning and site disturbance remediation costs associated with the Company's oil and natural gas properties in accordance with existing laws, contracts or other policies. The fair value of the estimated decommissioning and environmental liability is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related long-lived asset, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to net income, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Decommissioning and environmental liabilities are determined by using management's best estimate of costs, taking into account the anticipated method and extent of restoration consistent with legal requirements, technological advances, industry practices and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the Company's total decommissioning and environmental liability. These individual assumptions can be subject to change based on experience. Restoration technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations. The Company estimates future decommissioning and environmental costs based on current estimates adjusted for inflation. This estimate for inflation is also subject to management uncertainty.

Current and Deferred tax

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in income tax rates on deferred tax liabilities and assets is recognized in net income in the period that the change occurs. Deferred tax assets are only recognized to the extent that it is probable that sufficient future taxable income will be available in the applicable jurisdiction to allow the deferred tax assets to be realized.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations from multiple jurisdictions. Rates are also affected by legislative changes. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded in the financial statements. Estimates of current income tax for interim periods are also subject to additional uncertainty. A variety of factors cannot be known until year-end and, therefore, estimates are used for interim period current tax provisions.

Share-Based Compensation

The Company records stock-based compensation expense using the fair value method. The fair value of an option is calculated at the grant date, and expensed equally over the vesting term of the option. The Company records the cumulative stock-based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated stock-based compensation for the exercised option. Any consideration received on the exercise of stock options is credited to share capital.

The determination of stock-based compensation expense is based on assumptions regarding stock volatility, risk-free interest rates and the expected life of the options. These assumptions, by their nature, are subject to measurement uncertainty.

The fair value of a CRSU is calculated using the market price of Parex shares on the date of issuance, and expensed over the vesting period of the CRSU.

In accordance with the fair value method, increases or decreases in the fair value of the CRSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

PSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to PSUs eligible to vest at the end of the performance period. The expense recognized over the vesting period of PSUs is the fair value of the PSUs with an estimated adjustment factor.

The fair value of a DSU is calculated using the market price of Parex shares on the date of issuance, and expensed immediately. In accordance with the fair value method, increases or decreases in the fair value of the DSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date.

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired, and is assessed for impairment annually at December 31 of each year. To test for impairment, goodwill is allocated to each of the Company's CGUs, or groups of CGUs, that are expected to benefit from the acquisition and is tested as described in the Company's impairment policy. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of a goodwill impairment charge to net earnings.

These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves and discount rates as well as future development and operating costs. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGUs.

Derivative liabilities

Risk management contracts are initially recognized at fair value on the date a derivative contract is entered into and are remeasured at their fair value at each subsequent reporting date. The fair value of the risk management contract on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair value is based on quoted market price where available from active markets, otherwise fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions.

Legal, Environmental Remediation and other Contingent Matters

In respect of these matters, the Company is required to determine both whether a loss is probable based on judgment and interpretation of laws and regulations and if such a loss can reasonably be estimated. When any such loss is determined, it is charged to net income. Management continually monitors known and potential contingent matters and makes appropriate provisions by charges to net income when warranted by circumstances.

DIRECTORS

Wayne Foo
Chairman of the Board

Robert Engbloom
Lead Director

Lynn Azar

Lisa Colnett

Sigmund Cornelius

G.R. (Bob) MacDougall

Glenn McNamara

Imad Mohsen

Carmen Sylvain

OFFICERS & SENIOR EXECUTIVES

Imad Mohsen
President & Chief Executive Officer

Daniel Ferreiro
President & Country Manager, Parex Resources Colombia

Sanjay Bishnoi
Chief Financial Officer & Corporate Secretary

Eric Furlan
Chief Operating Officer

Mike Kruchten
Sr. Vice President, Capital Markets & Corporate Planning

Joshua Share
Sr. Vice President, Corporate Services

Katie Bernard
Vice President, New Ventures

CORPORATE HEADQUARTERS

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LEGAL COUNSEL

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TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

RESERVES EVALUATORS

GLJ Ltd.
Calgary, Alberta

INVESTOR RELATIONS

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ABBREVIATIONS

Oil and Natural Gas Liquids	
bbl(s)	barrel(s)
mbbls	one thousand barrels
bbl(s)/d	barrels of oil per day
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

Other	
WTI	West Texas Intermediate
Brent	Brent Ice
kms	Kilometres
FFO	Funds flow provided by operations

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

MANAGEMENT'S REPORT

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information presented elsewhere in this annual report.

The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Since a precise determination of many assets and liabilities is dependent on future events, the timely preparation of financial statements requires that management make estimates and assumptions and use judgment. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances.

PricewaterhouseCoopers LLP were appointed by the Company's shareholders to express an audit opinion on the consolidated financial statements. Their examination included such tests and procedures as they considered necessary to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The Board of Directors is responsible for overseeing that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Finance & Audit Committee. The Finance & Audit Committee recommends appointment of the external auditors to the Board, evaluates their independence and approves their fees. The Finance & Audit Committee meets regularly with management and the external auditors to oversee that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board for approval. The external auditors have full and unrestricted access to the Finance & Audit Committee to discuss their audit and their findings.

"signed"	"signed"
Imad Mohsen	Cameron Grainger
President and Chief Executive Officer	Chief Financial Officer

March 4, 2025

Independent auditor's report

To the Shareholders of Parex Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Parex Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2024 and 2023;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of oil and natural gas reserves on net property, plant and equipment (PP&E) *Refer to note 2 – Basis of preparation, significant accounting estimates and judgments, note 3 – Summary of material accounting policies, note 4 – Determination of fair values and note 8 – Property, plant and equipment to the consolidated financial statements.* The Company had $1,419 million of net PP&E as at December 31, 2024. Depletion, depreciation and amortization (DD&A) expense was $216 million for the year then ended. PP&E within each cash generating unit (CGU) is depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated forecast costs to be incurred in developing proved plus probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use. The proved plus probable reserves, production forecasts, future commodity prices, future development and operating costs, and future production costs are prepared by the Company's independent qualified reserve evaluators (management's experts). For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The carrying amounts of the Company's long-term assets are reviewed at each reporting date to determine whether there are any indicators of impairment. If an indicator of impairment exists, management estimates the	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amounts for the Aguas Blancas and Boranda/Fortuna CGUs and DD&A expense for a sample of CGUs, which included the following: – Evaluated the appropriateness of the method used by management in making these estimates. – Tested the data used in determining these estimates. – Evaluated the reasonableness of the assumptions used in developing the underlying estimates: o Proved plus probable reserves, production forecasts, future development and operating costs, and future production costs by considering the past performance of the relevant CGUs, and whether these assumptions were consistent with evidence obtained in other areas of the audit. o Future commodity prices by comparing those forecasts with third party industry forecasts. o The discount rates, through the assistance of professionals with specialized skill and knowledge in the field of valuation. – Recalculated the unit-of-production rates used to calculate the DD&A expense.

Key audit matter	How our audit addressed the key audit matter
recoverable amount of the asset or CGU. Impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal (FVLCD). The FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future after tax net cash flows, which are based on the following assumptions: proved plus probable reserves, production forecasts, future commodity prices, future development and operating costs, future production costs and discount rates. An indication of impairment was identified for the Aguas Blancas and the Boranda/Fortuna CGUs for the year ended December 31, 2024 and an impairment test was performed. The Company determined that the carrying amount for each of the Aguas Blancas and Boranda/Fortuna CGUs exceeded its recoverable amount and an impairment of $78.4 million was recorded. The recoverable amounts were determined using fair value less cost of disposal. Determining the proved and probable reserves requires significant judgment. We determined that this a key audit matter due to (i) the significant judgment made by management, including the use of management's experts, when developing the assumptions to determine the recoverable amounts of the Aguas Blancas and Boranda/Fortuna CGUs and the proved plus probable oil and natural gas reserves; and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the assumptions.	– Recalculated the recoverable amounts used in the impairment models to calculate the impairment expense. • The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved plus probable reserves, production forecasts, future production costs, future development and operating costs and future commodity prices used to determine the DD&A expense and the recoverable amounts of the Aguas Blancas and Boranda/Fortuna CGUs. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 4, 2025

CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Balance Sheets

As at (thousands of United States dollars)	NOTE	December 31, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents	**21**	**$ 98,022**	$ 140,352
Restricted cash and cash equivalents	**21**	**581**	—
Accounts receivable	**5**	**82,686**	118,567
Prepaids and other current assets		**29,042**	44,990
Current income tax receivable	**19**	**33,595**	29,012
Crude oil inventory	**6**	**2,017**	4,254
		245,943	337,175
Exploration and evaluation	**7**	**116,928**	211,590
Property, plant and equipment	**8**	**1,419,301**	1,338,175
Long-term inventory	**9**	**199,474**	204,701
Other long-term assets	**21**	**11,489**	3,556
Deferred tax asset	**19**	**88,475**	246,678
Goodwill	**12**	**73,452**	73,452
		$ 2,155,062	$ 2,415,327
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 170,731**	$ 252,148
Derivative financial instruments	**24**	**1,160**	—
Current portion of decommissioning and environmental liabilities	**16**	**14,655**	6,000
		186,546	258,148
Bank debt	**10**	**60,000**	90,000
Lease obligation	**11**	**4,622**	5,736
Cash settled share-based compensation liabilities	**15**	**9,553**	16,284
Decommissioning and environmental liabilities	**16**	**63,020**	89,732
		323,741	459,900
Shareholders' equity			
Share capital	**17**	**632,899**	660,817
Contributed surplus		**20,024**	19,248
Retained earnings		**1,178,398**	1,275,362
		1,831,321	1,955,427
		$ 2,155,062	$ 2,415,327

Commitments and Contingencies (note 26)
Subsequent Events (note 28)
See accompanying Notes to the Consolidated Financial Statements

Approved by the Board:

"signed"	"signed"
Sigmund Cornelius	Bob MacDougall
Director	Director

Consolidated Statements of Comprehensive Income

For the year ended December 31, (thousands of United States dollars, except per share amounts)	NOTE	2024	2023
Oil and natural gas sales[1]	13	$ 1,280,029	$ 1,408,703
Royalties		(201,418)	(244,703)
Net revenue		1,078,611	1,164,000
Other revenue[1]	13	8,157	6,314
Commodity risk management contracts (loss)	24	(1,160)	—
Revenue		1,085,608	1,170,314
Expenses			
Production		255,278	207,129
Transportation		65,745	68,306
Purchased oil		904	4,583
General and administrative		68,908	61,077
Impairment of exploration and evaluation assets	7	54,085	82,858
Impairment of property, plant and equipment assets	8	78,417	59,682
Impairment of long-term inventory	9	10,000	—
Equity settled share-based compensation expense	17	878	1,043
Cash settled share-based compensation expense	18	584	29,321
Depletion, depreciation and amortization	8	215,770	194,229
Other expenses[1]		6,227	2,582
Foreign exchange loss	24	5,447	5,486
		762,243	716,296
Finance (income)[1]	14	(4,315)	(14,055)
Finance expense[1]	14	18,408	13,834
Net finance expense		14,093	(221)
Income before income taxes		309,272	454,239
Income tax expense (recovery)			
Current tax expense	19	90,389	155,683
Deferred tax expense (recovery)	19	158,203	(160,753)
		248,592	(5,070)
Net income and comprehensive income for the year		$ 60,680	$ 459,309
Basic net income per common share	20	$ 0.60	$ 4.32
Diluted net income per common share	20	$ 0.60	$ 4.32

[1] Certain comparative figures have been reclassified to conform with the current period's presentation as described in Note 2.

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Equity

For the year ended December 31, (thousands of United States dollars)		**2024**		2023
Share Capital				
Balance, beginning of year	**$**	**660,817**	$	682,718
Issuance of common shares under share-based compensation plans		**411**		5,956
Repurchase of shares		**(28,329)**		(27,857)
Balance, end of year	**$**	**632,899**	$	660,817
Contributed Surplus				
Balance, beginning of year	**$**	**19,248**	$	20,334
Share-based compensation		**878**		1,043
Options and RSUs exercised		**(102)**		(2,129)
Balance, end of year	**$**	**20,024**	$	19,248
Retained earnings				
Balance, beginning of year	**$**	**1,275,362**	$	1,011,940
Net income for the year		**60,680**		459,309
Repurchase of shares		**(45,460)**		(77,211)
Dividends		**(112,184)**		(118,676)
Balance, end of year		**1,178,398**		1,275,362
	$	**1,831,321**	$	1,955,427

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

For the year ended December 31, (thousands of United States dollars)	NOTE	2024	2023
Operating activities			
Net income		**$ 60,680**	$ 459,309
Add (deduct) non-cash items			
Depletion, depreciation and amortization	**8**	**215,770**	194,229
Non-cash finance expense	**14**	**9,273**	8,279
Equity settled share-based compensation expense	**17**	**878**	1,043
Cash settled share-based compensation expense	**18**	**584**	29,321
Deferred tax expense (recovery)	**19**	**158,203**	(160,753)
Impairment of exploration and evaluation assets	**7**	**54,085**	82,858
Impairment of property, plant and equipment assets	**8**	**78,417**	59,682
Impairment of long-term inventory	**9**	**10,000**	—
Unrealized foreign exchange loss (gain)	**24**	**29,603**	(6,453)
Unrealized loss on commodity risk management contracts	**24**	**1,160**	—
Loss on settlement of tangible assets		**1,987**	68
Loss on settlement of decommissioning liabilities	**16**	**1,593**	199
Net change in assets and liabilities	**21**	**(52,318)**	(291,311)
Cash provided by operating activities		**569,915**	376,471
Investing activities			
Property, plant and equipment expenditures	**8**	**(221,250)**	(310,933)
Exploration and evaluation expenditures	**7**	**(126,445)**	(172,410)
Long-term inventory expenditures, net of transfers and sales	**9**	**(4,773)**	(39,430)
Net change in non-cash working capital	**21**	**(39,775)**	(12,742)
Cash (used in) investing activities		**(392,243)**	(535,515)
Financing activities			
Common shares repurchased	**17**	**(73,789)**	(105,068)
Dividends	**17**	**(112,184)**	(118,676)
Bank debt (repayment) borrowing	**10**	**(30,000)**	90,000
Issuance of common shares under equity-settled plans	**17**	**309**	3,827
Payments on lease obligation	**11**	**(681)**	(712)
Net change in non-cash working capital	**21**	**1,449**	—
Cash (used in) financing activities		**(214,896)**	(130,629)
Decrease in cash and cash equivalents and restricted cash and cash equivalents for the year		**(37,224)**	(289,673)
Impact of foreign exchange on foreign currency-denominated cash balances		**(4,897)**	14,579
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	**21**	**143,908**	419,002
Cash and cash equivalents and restricted cash and cash equivalents, end of year	**21**	**$ 101,787**	$ 143,908

Supplemental Disclosure of Cash Flow Information (note 21)
See accompanying Notes to the Consolidated Financial Statements

1. Corporate Information

Parex Resources Inc. and its subsidiaries ("Parex" or "the Company") are in the business of the exploration, development, production and marketing of oil and natural gas in Colombia.

Parex Resources Inc. is a publicly traded Company, incorporated and domiciled in Canada. Its registered office is at 2400, 525-8th Avenue S.W., Calgary, Alberta T2P 1G1. The Company was incorporated on August 17, 2009, pursuant to the Business Corporations Act (Alberta).

The consolidated financial statements were approved by the Board of Directors on March 4, 2025.

2. Basis of Preparation, Significant Accounting Estimates and Judgements

a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The policies applied in these consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of March 4, 2025, the date the Board of Directors approved the consolidated financial statements.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and share-based compensation transactions which are measured at fair value. The methods used to measure fair values are discussed in note 4 - Determination of Fair Values.

c) Use of management estimates, judgments and measurement uncertainty

The timely preparation of the consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

(i) Depletion, depreciation and reserves

Depletion is based on the proved plus probable reserves as evaluated in accordance with National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and incorporating the estimated future cost of developing and extracting those. The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, commodity prices and future development costs. As circumstances change and additional data becomes available, reserve estimates may also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions of reserve estimates are often required due to changes in well performance, prices, economic conditions and governmental regulations.

Although every reasonable effort is made to determine that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs of disposal of property, plant and equipment for impairment calculations (see note 8 - Property, Plant and Equipment).

(ii) Determination of cash-generating units ("CGUs")
The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

(iii) Exploration and evaluation ("E&E")
The decision to transfer assets from E&E to property, plant and equipment ("PP&E") is primarily based on the estimated proved plus probable reserves used in the determination of an area's technical feasibility and commercial viability (see note 7 – Exploration and Evaluation Assets).

(iv) Decommissioning and environmental liabilities
Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of its assets. The ultimate decommissioning and restoration costs are uncertain, and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change in response to changes in reserves, laws and regulations or their interpretation, the timing and likelihood of the settlement of the obligation, discount rates, and future interest rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The Company uses a risk-free discount rate based on forecasted Colombia interest rates.

Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed, and the associated costs can be estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Company to perform additional mitigation against the environmental issues attributed to water usage and deforestation from oil and gas activities performed. In addition, the timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities. Refer to note 16 – Decommissioning and Environmental Liabilities.

(v) Impairment indicators and discount rate
The recoverable amounts of CGUs and individual assets have been determined as the greater of either an asset's or CGU's value in use or fair value less costs of disposal. These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, quantity of reserves and discount rates as well as future development and operating costs. It is reasonably possible that the commodity price assumptions may change, which may impact the estimated life of the oil and natural gas reserves and the recoverable economical reserves and may require a material adjustment to the carrying value of oil and natural gas assets. The Company monitors internal and external indicators of impairment relating to its property, plant and equipment, exploration and evaluation assets and long-term inventory. Refer to note 7 – Exploration and Evaluation Assets, note 8 – Property, Plant and Equipment, note 9 - Long-Term Inventory and note 12 – Goodwill.

(vi) Share-based compensation
Compensation costs accrued for under the Company's Stock Option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Parex shares and expected term of the issued stock option. Compensation costs accrued for under the Company's Cash Settled Restricted Share Units ("CRSU") plan, Cash or share settled Restricted Share Units ("CosRSU") and Performance Share Units ("CosPSU") plan and Long Duration Restricted Share Units ("LDRSU") and Performance Share Units (LDPSU") plan are measured at fair value based on the market price of Parex shares on the date of issuance. Compensation costs accrued for under the Company's Deferred Share Unit ("DSU") plan are measured at fair value based on the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the date of issuance. Refer to note 17 - Share Capital and note 18 - Cash Settled Incentive Plans.

(vii) Derivative financial asset/liability
The estimated fair value of derivative instruments and resulting derivative assets and liabilities depends on estimated forward prices and volatility in those prices and by their nature are subject to measurement uncertainty.

(viii) Income taxes
Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused temporary differences can be utilized. Future projected income and future tax rates could be affected by oil prices, quantities of oil and gas reserves, and future oil and gas production. If these factors or other circumstances change, the Company would reassess its ability to record any increase or decrease in its deferred income tax asset. To the extent that actual outcomes differ from management's estimates, taxation charges or credits may arise in future periods. Refer to note 19 - Income Tax.

(ix) Business combinations, corporate and property acquisitions

Business combinations, corporate and property acquisitions are accounted for using the acquisition method of accounting whereby the assets acquired, and the liabilities assumed are recorded at fair values. The determination of fair value often requires management to make assumptions and estimates about future events. The fair value of property, plant and equipment recognized in a business combination, corporate or property acquisition is based on market values. The market value of property, plant and equipment is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market value of E&E assets are estimated with reference to the market values of current arm's length transactions in comparable locations. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill (or gain from a bargain purchase) in the acquisition equation. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment or goodwill impairment.

d) Change in presentation

Prior period revenue and expense items have been reclassified to conform to the current period's presentation.

Pipeline transportation revenue, that was previously included in Oil and natural gas sales, has been included in Other revenue:

Consolidated Statements of Comprehensive Income (unaudited)		For the year ended December 31, 2023
Oil and natural gas sales, as previously presented	$	1,414,552
Reclassification to Other revenue		(5,849)
Oil and natural gas sales, as currently presented	**$**	**1,408,703**

Revenues related to the energy generation and use of infrastructure, that were previously included in Finance income, have been included in Other revenue:

Consolidated Statements of Comprehensive Income (unaudited)		For the year ended December 31, 2023
Finance income, as previously presented	$	14,520
Reclassification to Other revenue		(465)
Finance income, as currently presented	**$**	**14,055**

Loss (gain) on settlement of provisions, loss (gain) on disposition of tangible assets, and other municipal taxes, that were previously included in Finance expense, have been included in Other expenses:

Consolidated Statements of Comprehensive Income (unaudited)		For the year ended December 31, 2023
Finance expense, as previously presented	$	16,416
Reclassification to Other expenses		(2,582)
Finance expense, as currently presented	**$**	**13,834**

3. Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries at December 31, 2024. The principal operating subsidiaries and their activities are:

Entity	Country of incorporation	Country of principle business activity	Ownership %	Principle business activity
Parex Resources (Colombia) AG	Switzerland	Colombia	100	Oil and natural gas exploration and development
Verano Energy (Switzerland) AG	Switzerland	Colombia	100	Oil and natural gas exploration and development

The above listing does not include the wholly owned holding company subsidiaries or inactive operating company subsidiaries of Parex. All companies in the Parex group are wholly owned subsidiaries.

Inter-company balances and transactions are eliminated on consolidation. Interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. Joint operations arise when the Company has rights to the assets and obligations for the liabilities of the arrangement. The Company recognizes its share of assets, liabilities, revenues and expenses of a joint operation. A significant portion of the Company's operating cash flows is derived through joint operations which are involved in the development and production of crude oil in Colombia. Joint ventures arise when the Company has rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The consolidated financial statements are presented in United States dollars, which is the functional currency of Parex.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of comprehensive income.

c) Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or

- Fair Value Through Profit or Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

As at December 31, 2024, all of the Company's receivables were outstanding for less than 90 days. The average expected credit loss on the Company's trade accounts receivable was 0.5% at December 31, 2024.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished, and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Derivative Financial Instruments

Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Where specific financial instruments are executed, the Company assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

Risk management assets and liabilities are derivative financial instruments classified as measured at FVTPL. Derivatives financial instruments are recorded using mark-to-market accounting whereby instruments are recorded in the consolidated balance sheets as either an asset or liability with changes in fair value recognized in net earnings as a gain or loss on risk management. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts.

d) Capital assets

(i) Exploration and evaluation

All costs directly associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized. E&E costs are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, E&E drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to comprehensive income as E&E expenses.

When an area is determined to be technically feasible and commercially viable the accumulated costs are transferred to PP&E, where they are depleted. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to comprehensive income as impairment of exploration and evaluation assets. Net proceeds from any disposal of an intangible exploration asset are recorded as a reduction in intangible assets.

(ii) Property, plant and equipment

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include proved property acquisitions, development drilling, completion of wells, gathering facilities and infrastructure, decommissioning and restoration costs and transfers of E&E assets.

Costs accumulated within each CGU are depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated forecast costs to be incurred in developing proved plus probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use.

Costs associated with office furniture, fixtures and leasehold improvements are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from 1 to 5 years.

(iii) Long-term inventory

All costs in the form of long-lead material and equipment inventory, such as drill casing, natural gas compressors, and other major equipment, are initially capitalized. As the assets are used, they are incorporated into the costs of the related E&E and PP&E projects.

e) Impairment of long-term assets

The carrying amounts of the Company's long-term assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. E&E assets are also assessed for impairment when they are reclassified to PP&E, and, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. E&E assets are allocated to related CGUs where they are assessed for impairment upon their eventual reclassification to PP&E. E&E assets not reclassified to PP&E are assessed for impairment on a block-by-block basis. Long-term inventory is assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If an indication of impairment exists, management estimates the recoverable amount of the E&E assets or long-term inventory.

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amounts of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

The value in use is determined by estimating the present value of the pre-tax future net cash flows expected to be derived from the continued use of the asset or CGU. The FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future after tax net cash flows which are based on the following assumptions: proved plus probable reserves, production forecasts, future commodity prices, future development and operating costs, future production costs, and discount rates. The proved plus probable reserves, production forecasts, future commodity prices, future development and operating costs, and future production costs are prepared by the Company's independent qualified reserve evaluators.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income.

The recoverable amount of goodwill is determined as the fair value less costs of disposal using a discounted cash flow method. Goodwill is evaluated at the Colombia segment level as business combinations giving rise to goodwill do not have specifically identifiable benefits to any one CGU.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

f) Crude oil inventory

Crude oil inventory consists of crude oil in transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location.

g) Purchased oil

Purchased oil includes costs to buy third party oil. The costs for third party oil are initially recorded in inventory until the crude oil title is transferred.

h) Goodwill

Goodwill is recorded on a business acquisition when the purchase price is in excess of the fair values assigned to assets acquired and liabilities assumed. Goodwill is not amortized, and an impairment test is performed annually or as events occur that could indicate impairment. To test for impairment, goodwill is allocated to each of the Company's CGUs, groups of CGUs, or an operating segment expected to benefit from the acquisition. Goodwill is tested by combining the carrying amounts of property, plant and equipment, exploration and evaluation assets and goodwill and comparing this to the recoverable amount. Fair value less costs of disposal, is derived by estimating the discounted after-tax future net cash flows as described in the property, plant and equipment impairment test, plus the fair market value of undeveloped land, seismic and inventory. Value in use is assessed using the present value of the expected future cash flows. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Impairment charges, which are not tax affected, are recognized in comprehensive income and are not reversed. Goodwill is reported at cost less any impairment.

i) Revenue recognition

Parex principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from Parex to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- Parex has transferred title and physical possession of the commodity to the buyer;
- Parex has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- Parex has the present right to payment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company sells its production of crude oil and natural gas pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, Parex does not adjust its revenue transactions for the time value of money.

Parex enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. The Company also applies a practical expedient of IFRS 15 that allows any incremental costs of obtaining contracts with customers to be recognized as an expense when incurred rather than being capitalized.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

The Company's revenue transactions do not contain significant financing components.

Parex generates other revenue from non-core activities including pipeline transportation revenue and revenue related to energy generation and use of infrastructure. Other revenue is recognized when it is probable that the economic benefits will flow to the entity, the amount can be measured reliably and is measured at the fair value of the consideration received or receivable.

j) Equity settled share-based compensation

The Company has an incentive stock option plan pursuant to which the Company may issue options for certain employees, officers and directors as described in note 17 - Share Capital. The Company records share-based compensation expense using the fair value method. The fair value of an option granted is calculated at the grant date using the Black-Scholes pricing model and expensed over the vesting period of the option. The Company determines an appropriate forfeiture rate by examining the history of its forfeitures. The Company records the cumulative share-based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised security. Any consideration received on the exercise of stock options is credited to share capital.

Upon the exercise of the options the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

k) Cash settled share-based compensation

The Company has a Cash Settled Restricted Share Unit ("CRSUs") plan which allows the Company to issue CRSUs to certain employees of Parex Colombia as described in note 18 - Cash Settled Incentive Plans. Obligations for payments of cash under the foreign subsidiaries' CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equal to the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the CRSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The CRSUs liability cannot be settled by the issuance of common shares.

The Company has a Deferred Share Unit ("DSU") plan which allows the Company to issue DSUs to all non-employee directors of Parex Resources Inc., as described in note 18 - Cash Settled Incentive Plans. As DSUs vest immediately on issuance, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately on issuance based on the fair value of the DSUs. The fair value of DSUs at each reporting period is equal to the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the DSUs result in a corresponding change in the recorded liability. The accrued compensation for a unit that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

The Company has a Cash or Share Settled Restricted Share Unit/Performance Share Unit ("CosRSU/CosPSU") incentive plan to issue CosRSUs and CosPSUs to certain employees of Parex Canada as described in note 18 - Cash Settled Incentive Plans. Obligations for payments of cash or settlement of shares under the CosRSUs and CosPSUs plan are accrued as compensation expense over the vesting period based on the fair value of the CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equal the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the CosRSUs and CosPSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The CosRSUs and CosPSUs liability can be settled in cash or by the issuance of common shares at the election of the employee.

The Company has a Long Duration Restricted Share Unit/Performance Share Unit ("LDRSU/LDPSU") incentive plan to issue LDRSUs and LDPSUs to certain employees of Parex Canada as described in note 18 - Cash Settled Incentive Plans. Obligations for payments of cash or settlement of shares under the LDRSUs and LDPSUs plan are accrued as compensation expense over the vesting period based on the fair value of the LDRSUs and LDPSUs. The fair value of LDRSUs and LDPSUs is equal the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the LDRSUs and LDPSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The LDRSUs and LDPSUs liability can be settled in cash or by the issuance of common shares at the election of the employee.

l) Provisions

A provision is recognized if, as a result of a past event, the Company has a current legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

m) Decommissioning and environmental liabilities

The Company's activities give rise to dismantling, decommissioning, environmental, abandonment and site disturbance remediation activities. Provisions are made for the estimated cost of the future site restoration and capitalized in the relevant asset category.

Decommissioning and environmental liabilities are measured at the present value of management's best estimate of the cost and future timing of the expenditure required to settle the present obligation at the balance sheet date using a risk-free discount rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance expense whereas increases (decreases) due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning and environmental liabilities are charged against the provision to the extent the provision was established.

n) Operating Segments

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by the Company's chief operating decision makers. The operating segments are Canada and Colombia. The Company evaluates the financial performance of its operating segments primarily based on operating cash flow.

o) Finance income and expense

Finance expense comprises credit facility interest related to the drawn credit facility, standby fees related to the undrawn credit facility, bank taxes, accretion on provisions, other and expected credit loss provision (recovery). Finance income comprises interest earned on cash and other income.

p) Other expenses

Other expenses is comprised of loss (gain) on settlement of decommissioning liabilities, loss (gain) on disposition of tangible assets, and other municipal taxes.

q) Cash and cash equivalents

Cash and cash equivalents is comprised of cash and other short-term highly liquid investments with maturities less than 3 months held in chartered banks in Canada and recognized financial institutions in Colombia and Switzerland with BBB+ credit ratings or higher.

r) Restricted cash and cash equivalents

Restricted cash and cash equivalents is comprised of cash and cash equivalents pledged to satisfy commitments in long term contracts. Restrictions will lapse when work obligations are satisfied pursuant to the contracts. Cash and claims to cash that are restricted as to withdrawal or use for other than current operations or are designated for expenditure to satisfy commitments pursuant to long-term contracts, are excluded from the current asset classification. The long-term portion of restricted cash and cash equivalents is included in other long-term assets on the Company's balance sheet.

s) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates, currency exchange rates and laws enacted or substantively enacted by the balance sheet date and expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax is not provided on temporary differences arising on investments in subsidiaries except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company, and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and liabilities are presented as non-current.

t) Per share information

Basic net income per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees, except when the effect would be anti-dilutive.

u) Leases

Right-of-use asset ("ROU asset") and a corresponding lease obligation are recognized on the balance sheets on the date that a lease asset becomes available for use. Interest associated with the lease obligation is recognized over the lease period with a corresponding increase in the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the lease term. Depreciation on ROU assets is recognized in DD&A.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include fixed lease payments, variable lease payments and payments to exercise an extension or termination option if applicable, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

ROU assets and lease obligations are remeasured when there is a change in the future lease payments arising from a change in an index or rate or term, or if there is a change in the assessment on whether the Company will exercise an extension or termination option.

Short-term leases and leases of low-value assets are not recognized on the balance sheets and lease payments are instead recognized in the financial statements as incurred.

v) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. When the company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. The excess of the purchase price over the average carrying value is recognized as a deduction from Retained Earnings. Shares are cancelled upon repurchase.

w) Dividends

Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are declared by the Board of Directors.

x) New Accounting Policies

i) Amendments to IAS 1 Presentation of Financial Statements

On January 1, 2024, the Company adopted the amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1"). The amendments clarify the requirements for the presentation of liabilities as current or non-current in the statements of financial position and specify the classification and disclosure of a liability with covenants. There was not a material impact to the Company's financial statements.

y) Future Accounting Pronouncements

The Company plans to adopt the following amendments to accounting standards, issued by the International Accounting Standards Board ("IASB"), that are effective for annual periods beginning on or after January 1, 2025. The pronouncements will be adopted on their respective effective dates.

i) Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective January 1, 2026, but are not expected to have a material impact on Parex's consolidated financial statements.

ii) IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") which will replace IAS 1 and includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expenses in the statement of income, as well as requiring disclosure about management-defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted, and it must be adopted on a retrospective basis. Parex is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) PP&E, exploration and evaluation and long-term inventory assets

The fair value of PP&E, exploration and evaluation, and long-term inventory assets are determined if there are indicators of impairment. The fair value of PP&E, exploration and evaluation, and long-term inventory assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of oil and natural gas assets (included in PP&E) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on the reserve reports prepared by the Company's independent qualified reserve evaluators. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

b) Cash, accounts receivable, and accounts payable and accrued liabilities

The fair value of cash, accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2024 and 2023 the fair value of these balances approximated their carrying value due to their short-term to maturity.

c) Stock options

The fair value of stock options is measured using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, exercise price of the option, expected future share price volatility, weighted average expected life of the instruments (based on historical experience and general option-holder behavior), expected dividends, expected forfeiture rate and the risk-free interest rate (based on Government of Canada Bonds) for the relevant expected life as described in note 17 - Share Capital.

d) Cash settled restricted share units, cash or share settled restricted share units and performance share units, long duration restricted share units and performance share units and deferred share units

The fair value of CRSUs, CosRSUs and CosPSUs, LDRSUs and LDPSUs, and DSUs are measured based on the market price of Parex shares on each balance sheet date. Refer to note 18 - Cash Settled Incentive Plans.

e) Derivative financial asset/liability

Risk management contracts are initially recognized at fair value on the date a derivative contract is entered into and are remeasured at their fair value at each subsequent reporting date. The fair value of the risk management contract on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions.

5. Accounts Receivable

	December 31, 2024	December 31, 2023
Trade receivables	**$ 77,106**	$ 105,625
Value added taxes (VAT)	**5,580**	12,942
Total	**$ 82,686**	$ 118,567

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is $5.6 million as at December 31, 2024 (December 31, 2023 - $12.9 million). All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Crude Oil Inventory

	December 31, 2024	December 31, 2023
Crude oil inventory	**$ 2,017**	$ 4,254

Crude oil inventory consists of crude oil in transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location. During 2024, $728.0 million (year ended December 31, 2023 - $704.4 million) of produced crude oil inventory cost was expensed to the consolidated statements of comprehensive income. Purchased crude oil is sold immediately. The cost associated with purchased oil is shown in the consolidated statements of comprehensive income as purchased oil expense.

7. Exploration and Evaluation Assets

Cost		
Balance at December 31, 2022	**$**	**115,745**
Additions and transfers from long-term inventory		172,410
Changes in decommissioning liability		6,293
Exploration and evaluation impairment		(82,858)
Balance at December 31, 2023	**$**	**211,590**
Additions and transfers from long-term inventory		126,445
Transfers to PP&E		(168,053)
Changes in decommissioning liability		1,031
Exploration and evaluation impairment		(54,085)
Balance at December 31, 2024	**$**	**116,928**

Additions and Transfers

E&E assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. During the year ended December 31, 2024, additions of $126.4 million (year ended December 31, 2023 - $172.4 million) represent the Company's share of costs incurred on E&E assets during the period. During the year ended December 31, 2024, $168.1 million of E&E assets were transferred to PP&E related to the Arauca Block.

For the year ended December 31, 2024, $3.6 million of general and administrative costs (year ended December 31, 2023 - $2.3 million) have been capitalized in respect of exploration and evaluation activities during the current period.

2024 Impairments

During 2024, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the LLA-122 Block for costs related to an exploration well which indicated technically unfeasible results at an acceptable risk tolerance. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for the LLA-122 block assets. It was determined that the impairment was $54.1 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2024.

2023 Impairments

During 2023, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the VIM-43 and LLA-134 blocks for costs related to exploration wells which indicated non-economic results, the Company also had plans to relinquish the LLA-134 block. In addition, impairment includes LLA-81 block costs that were impaired on transfer to property, plant and equipment as the carrying amount exceeded its recoverable amount. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for VIM-43 and LLA-134 block assets and $12.3 million for LLA-81 block assets. It was determined that the impairment was $82.9 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2023.

The fair value less cost of disposal approach requires assumptions which are level 3 inputs.

At December 31, 2024 and December 31, 2023, the Company did not have any E&E assets in Canada.

8. Property, Plant and Equipment

	Canada	Colombia	Total
Cost			
Balance at December 31, 2022	**$ 15,796**	**$ 3,051,099**	**$ 3,066,895**
Additions and transfers from long-term inventory	1,816	309,117	310,933
Changes in decommissioning and environmental liability	—	25,721	25,721
Balance at December 31, 2023	**17,612**	**3,385,937**	**3,403,549**
Additions and transfers from long-term inventory	3,820	217,430	221,250
Transfers from E&E assets	—	168,053	168,053
Changes in decommissioning and environmental liability	—	(14,523)	(14,523)
Balance at December 31, 2024	**$ 21,432**	**$ 3,756,897**	**$ 3,778,329**
Accumulated Depreciation, Depletion and Amortization			
Balance at December 31, 2022	**$ 7,847**	**$ 1,803,653**	**$ 1,811,500**
Depletion and depreciation for the year	1,164	192,225	193,389
Depreciation - Right-of-use asset	767	73	840
DD&A included in crude oil inventory costing	—	(37)	(37)
Property, plant and equipment impairment	—	59,682	59,682
Balance at December 31, 2023	**9,778**	**2,055,596**	**2,065,374**
Depletion and depreciation for the year	1,975	212,961	214,936
Depreciation - Right-of-use asset	760	74	834
DD&A included in crude oil inventory costing	—	(533)	(533)
Property, plant and equipment impairment	—	78,417	78,417
Balance at December 31, 2024	**$ 12,513**	**$ 2,346,515**	**$ 2,359,028**
Net book value:			
As at December 31, 2022	$ 7,949	$ 1,247,446	$ 1,255,395
As at December 31, 2023	$ 7,834	$ 1,330,341	$ 1,338,175
As at December 31, 2024	**$ 8,919**	**$ 1,410,382**	**$ 1,419,301**

Additions and Transfers

During 2024, property, plant and equipment ("PPE") additions of $221.3 million mainly relate to drilling and facility costs in Colombia. During the year ended December 31, 2024, $168.1 million of E&E assets were transferred to PP&E related to the Arauca Block.

During the year ended December 31, 2023, additions of $310.9 million mainly related to drilling and facility costs in Colombia.

For the year ended December 31, 2024, future development costs of $426.7 million (year ended December 31, 2023 - $409.5 million) were included in the depletion calculation for development and production assets. For the year ended December 31, 2024, $5.0 million of general and administrative costs (year ended December 31, 2023 - $7.1 million) have been capitalized in respect of development and production activities during the current period.

Impairments

The carrying amounts of the Company's PP&E assets are reviewed at each reporting date to determine whether there is any indication of impairment.

2024

A revision of the estimation of the total proved and probable reserves in the Aguas Blancas CGU and the Boranda/Fortuna CGU, both in the Magdalena Basin, for the year ended December 31, 2024, evidenced a decline as compared to the prior year estimation. Management considered this to be an indicator of impairment and carried out an impairment review of these CGUs. No impairment indicators were noted in the other CGUs.

The Company determined that the carrying amounts of the Aguas Blancas CGU and the Boranda/Fortuna CGU, both in the Magdalena Basin, exceeded their recoverable amounts and an impairment of $78.4 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2024. All other CGUs were found to have recoverable amounts greater than carrying amounts. The recoverable amount was determined using fair value less cost of disposal. The fair value less cost of disposal approach requires assumptions which are level 3 inputs.

The fair value was determined using discounted future after tax net cash flows of proved plus probable reserves using forecast prices and costs prepared by the Company's independent qualified reserve evaluators at December 31, 2024. Refer to note 12 – Goodwill for the future crude oil prices used by Parex's independent reserve evaluator. There are no E&E assets associated with these CGUs. Future cash flows were discounted using a rate of 14%. As at December 31, 2024, the recoverable amount of the Aguas Blancas CGU was estimated to be $20.9 million, and the recoverable amount of the Boranda/Fortuna CGU was estimated to be $3.5 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment.

2023

A revision of the estimation of the total proved and probable reserves in the Boranda/Fortuna CGU in the Magdalena Basin for the year ended December 31, 2023, evidenced a decline as compared to the prior year estimation. Management considered this to be an indicator of impairment and carried out an impairment review of this CGU. No impairment indicators were noted in the other CGUs.

The Company determined that the carrying amount of the Boranda/Fortuna CGU in the Magdalena Basin exceeded its recoverable amount and an impairment of $59.7 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2023. All other CGUs were found to have recoverable amounts greater than carrying amounts. The recoverable amount was determined using fair value less cost of disposal. The fair value less cost of disposal approach requires assumptions which are level 3 inputs.

The fair value was determined using discounted future after tax net cash flows of proved plus probable reserves using forecast prices and costs prepared by the Company's independent qualified reserve evaluators at December 31, 2023. Refer to note 12 – Goodwill for the future crude oil prices used by Parex's independent reserve evaluator. There are no E&E assets associated with this CGU. Future cash flows were discounted using a rate of 14%. As at December 31, 2023, the recoverable amount of the Boranda/Fortuna CGU was estimated to be $40.9 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment.

9. Long-term Inventory

The Company has long-lead material inventory such as drill casing, natural gas compressors, and other major equipment.

Cost		
Balance at December 31, 2022	**$**	**165,271**
Additions		114,803
Transfers to E&E and PP&E assets		(75,373)
Balance at December 31, 2023	**$**	**204,701**
Additions		55,990
Transfers to E&E and PP&E assets		(40,028)
Transfer to production costs		(5,269)
Sale of inventory		(5,920)
Impairment		(10,000)
Balance at December 31, 2024	**$**	**199,474**

For the year ended December 31, 2024, long-term inventory additions were $56.0 million (year ended December 31, 2023 - $114.8 million). During the year ended December 31, 2024, $40.0 million (year ended December 31, 2023 - $75.4 million) of long-term inventory were incorporated into the costs of E&E and PP&E projects and $5.3 million were incorporated into production costs. During the year ended December 31, 2024, $5.9 million of long-term inventory was sold to third parties.

During 2024, the Company completed an impairment review of its long-term inventory. It was determined that the carrying amount of certain long-term inventory assets was lower than its recoverable amount and an impairment of $10.0 million was recorded in the consolidated statements of comprehensive income for the year ended December 31, 2024.

10. Bank Debt

	December 31, 2024	December 31, 2023
Bank debt	**$ 60,000**	$ 90,000

The Company has a senior secured credit facility with a syndicate of banks which at December 31, 2024 had a borrowing base of $240.0 million (December 31, 2023 - $200.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2024, $60.0 million (December 31, 2023 - $90.0 million) was drawn on the credit facility. The undrawn capacity on the credit facility at December 31, 2024 was $180.0 million (December 31, 2023 - $110.0 million).

The credit facility bears interest and fees based in the following manner:
(i) advances on the revolving facility bear interest at rates per annum equal to U.S. Base Rate or SOFR plus applicable margins;
(ii) advances on the operating line bear interest at rates per annum equal to Canadian Prime Rate plus applicable margins; and
(iii) undrawn amounts bear a commitment fee.

The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2026. The next annual review is scheduled to occur in May 2025.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants for each reporting period. The Company was in compliance with all covenants at December 31, 2024.

The following table lists the Company's key financial covenant at December 31, 2024:

Covenant Description		December 31, 2024
Total Funded Debt to Adjusted EBITDA	Maximum Ratio 3.50:1	**0.31**

At December 31, 2024, performance guarantees were in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A. ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $160.7 million (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks (see note 26 - Commitments and Contingencies).

11. Lease Obligation

The Company has the following future commitments associated with its lease obligations:

	Canada	Colombia	Total
Balance at December 31, 2022	**$ 5,779**	**$ 1,055**	**$ 6,834**
Interest expense	43	151	194
Lease payments	(746)	(160)	(906)
Foreign exchange loss	78	270	348
Balance at December 31, 2023	**$ 5,154**	**$ 1,316**	**$ 6,470**
Interest expense	38	151	189
Lease payments	(702)	(168)	(870)
Foreign exchange (gain)	(419)	(167)	(586)
Balance at December 31, 2024	**$ 4,071**	**$ 1,132**	**$ 5,203**
Current obligation	(568)	(13)	(581)
Long-term obligation	**$ 3,503**	**$ 1,119**	**$ 4,622**

The consolidated statements of comprehensive income for the year ended December 31, 2024 includes expenses related to leases as follows: $0.2 million (year ended December 31, 2023 - $0.2 million) of interest expense related to the lease obligation, $0.8 million (year ended December 31, 2023 - $0.8 million) of depreciation for right-of-use assets, $0.9 million (year ended December 31, 2023 - $0.8 million) of non-lease components associated with the office lease obligation and $2.1 million (year ended December 31, 2023 - $2.2 million) related to short-term and low value leases. Total cash outflows related to the office lease obligation were $2.6 million for the year ended December 31, 2024 (year ended December 31, 2023 - $2.5 million).

12. Goodwill

	December 31, 2024	December 31, 2023
Goodwill	**$ 73,452**	$ 73,452

Impairment test of goodwill

The Company performed its annual test for goodwill impairment at the balance sheet date in accordance with its policy described in note 3 - Summary of Significant Accounting Policies. The Company has allocated goodwill to the Colombia operating segment.

The estimated fair value less costs of disposal of the Colombia operating segment exceeded the carrying value. As a result, no goodwill impairment was recorded.

Valuation Techniques

The recoverable amount of the group of CGUs to which the goodwill was assigned is based on fair value less costs of disposal. The technique used in determining the recoverable amount is based on the net present value of the after-tax cash flows from oil and gas reserves of the group of CGUs based on reserves estimated by Parex's independent reserve evaluator and the fair value of undeveloped land based on estimates with consideration given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant group of CGUs. The discounting process uses a rate of return that is commensurate with the risk associated with the assets and the time value of money. This approach requires assumptions about revenue, future oil prices, tax rates and discount rates, all of which are level 3 inputs.

Significant Assumptions

Oil Reserves

Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

Future Oil Prices

Oil forward price estimates are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors. The future oil prices used in the model are based on a forecast of crude oil prices by Parex's independent reserve evaluator.

Prices used at December 31, 2024 are as follows:

	2025	2026	2027	2028	2029	Thereafter
Brent ($US/bbl)	75.25	77.50	80.08	82.69	84.34	2% increase per year
WTI ($US/bbl)	71.25	73.50	76.00	78.53	80.10	2% increase per year

Prices used at December 31, 2023 are as follows:

	2024	2025	2026	2027	2028	Thereafter
Brent ($US/bbl)	77.00	79.50	81.49	82.58	84.19	2% increase per year
WTI ($US/bbl)	72.50	75.00	76.99	78.53	80.10	2% increase per year

Discount Rate

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Its determination requires separate analysis of the cost of equity and debt and considers a risk premium based on an assessment of risks related to the projected cash flows of the group of Colombia based CGUs whose revenues are denominated in USD. The after-tax discount rate used in performing the impairment test was 14% (year ended December 31, 2023 - 14%).

The fair value of the group of Colombian CGUs was in excess of its carrying value. Based on sensitivity analysis, no reasonably possible change in discount rate assumptions would cause the carrying amount of the group of Colombia CGUs to exceed its recoverable amount.

13. Oil and Natural Gas Sales and Other Revenue

The Company's oil and natural gas production sales is determined pursuant to the terms of the revenue agreements. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The Company's oil and natural gas sales by product are as follows:

For the year ended December 31,		**2024**		2023
Crude oil	**$**	**1,267,178**	$	1,398,607
Natural gas		**12,851**		10,096
Oil and natural gas sales	**$**	**1,280,029**	$	1,408,703

At December 31, 2024, receivables from contracts with customers, which are included in accounts receivable, were $77.1 million (December 31, 2023 - $105.6 million).

The Company's other revenue includes pipeline transportation revenue and revenue related to energy generation and use of infrastructure:

For the year ended December 31,		**2024**		2023
Other Revenue	**$**	**8,157**	$	6,314

14. Net Finance Expense

For the year ended December 31,		**2024**		2023
Bank charges and credit facility fees	**$**	**3,673**	$	4,813
Interest on bank debt		**4,174**		711
Accretion on decommissioning and environmental liabilities		**9,206**		8,701
Interest and other income		**(4,315)**		(14,055)
Right-of-use asset interest		**189**		194
Expected credit loss provision (recovery)		**67**		(422)
Other		**1,099**		(163)
Net finance expense	**$**	**14,093**	$	(221)

For the year ended December 31,		**2024**		2023
Non-cash finance expense	**$**	**9,273**	$	8,279
Cash finance expense (income)		**4,820**		(8,500)
Net finance expense	**$**	**14,093**	$	(221)

15. Cash Settled Share-Based Compensation Liabilities

Cash settled share-based compensation liabilities are comprised of the following:

		December 31, 2024		December 31, 2023
Long-term CosRSUs and CosPSUs payable	**$**	**4,000**	$	8,365
Long-term LDRSU and LDPSU payable		**619**		—
Long-term DSUs payable		**3,535**		5,515
Long-term CRSUs payable		**1,399**		2,404
Total cash settled share-based compensation payable	**$**	**9,553**	$	16,284

16. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2022	**$ 38,818**	**$ 14,474**	**$ 53,292**
Additions	9,676	1,379	11,055
Settlements of obligations during the year	(3,110)	(3,695)	(6,805)
Loss on settlement of obligations	199	—	199
Accretion expense	6,098	2,603	8,701
Change in estimate - inflation and discount rates	17,592	2,316	19,908
Change in estimate - costs and timing of settlements	(1,331)	2,382	1,051
Foreign exchange loss	3,581	4,750	8,331
Balance, December 31, 2023	**$ 71,523**	**$ 24,209**	**$ 95,732**
Additions	5,398	332	5,730
Settlements of obligations during the year	(7,038)	(3,235)	(10,273)
Loss on settlement of obligations	1,593	—	1,593
Accretion expense	6,853	2,353	9,206
Change in estimate - inflation and discount rates	(9,400)	(3,205)	(12,605)
Change in estimate - costs and timing of settlements	1,725	(8,342)	(6,617)
Foreign exchange (gain)	(2,185)	(2,906)	(5,091)
Balance, December 31, 2024	**68,469**	**9,206**	**77,675**
Current obligation	(11,709)	(2,946)	(14,655)
Long-term obligation	**$ 56,760**	**$ 6,260**	**$ 63,020**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at December 31, 2024, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $216.8 million as at December 31, 2024 (December 31, 2023 – $201.4 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 11.2% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2024 and 2023 are based on forecast Colombia rates.

Included in the decommissioning liability is $11.7 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $24.6 million as at December 31, 2024 (December 31, 2023 – $33.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 11.2% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 – 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2024 and 2023 are based on forecast Colombia rates.

Included in the environmental liability is $2.9 million (December 31, 2023 – $3.0 million) that is classified as a current obligation.

17. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2022	109,112,290	$	682,718
Issued for cash – exercise of options and RSUs	327,528		3,827
Allocation of contributed surplus – exercise of options and RSUs	—		2,129
Repurchase of shares	(5,628,100)		(27,857)
Balance, December 31, 2023	103,811,718	$	660,817
Issued for cash – exercise of options	22,168		309
Allocation of contributed surplus – exercise of options	—		102
Repurchase of shares	(5,494,850)		(28,329)
Balance, December 31, 2024	**98,339,036**	**$**	**632,899**

The Company has authorized an unlimited number of voting common shares without nominal or par value.

In 2024, a total of 22,168 options were exercised for proceeds of $0.3 million (year ended December 31, 2023 - 327,528 options and RSUs were exercised for proceeds of $3.8 million).

In 2024, the Company repurchased 5,494,850 common shares pursuant to its Normal Course Issuer Bid for $73.8 million at an average cost per share of Cdn$18.04 (year ended December 31, 2023 - 5,628,100 common shares repurchased for $105.1 million at an average cost per share of Cdn$25.16). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

Dividends paid in 2024 were $112.2 million or Cdn$1.53 per share (year ended December 31, 2023 - $118.7 million or Cdn$1.50 per share) to shareholders on record for each dividend payment.

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's officers and certain employees to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 5% of the number of common shares issued and outstanding. The stock options vest over a three-year period and expire five years from the date of grant.

	Number of options	Weighted average exercise price Cdn$/option
Balance, December 31, 2022	758,048	22.12
Granted	196,583	22.77
Exercised	(263,986)	19.47
Balance, December 31, 2023	690,645	23.32
Granted	248,842	21.06
Exercised	(22,168)	18.75
Forfeited	(17,890)	24.67
Balance, December 31, 2024	**899,429**	**22.78**

Stock options outstanding and the weighted average remaining life of the stock options at December 31, 2024 are as follows:

	Options outstanding			Options vested		
Exercise price Cdn$	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option
$18.24 - $21.35	246,568	4.15	21.04	1,796	0.96	18.24
$21.36 - $21.92	151,076	1.10	21.65	151,076	1.10	21.65
$21.93 - $22.71	145,879	0.16	22.20	145,879	0.16	22.20
$22.72 - $24.12	193,491	3.10	22.77	64,489	3.10	22.77
$24.13 - $27.02	162,415	2.11	27.00	108,254	2.11	27.00
	899,429	**2.40**	**22.78**	**471,494**	**1.31**	**23.19**

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the year ended December 31,	**2024**	2023
Risk-free interest rate (%)	**3.67**	3.38
Expected life (years)	**4**	4
Expected volatility (%)	**47**	48
Forfeiture rate (%)	**3**	3
Expected dividend yield (%)	**10.56**	6.01

The weighted average fair value at the grant date for the year ended December 31, 2024 was Cdn$5.10 per option (year ended December 31, 2023 – Cdn$5.97 per option). The weighted average share price on the exercise date for options exercised in 2024 was Cdn$22.14 (year ended December 31, 2023 – Cdn$24.37).

c) Equity settled share-based compensation

For the year ended December 31,		**2024**		2023
Option expense	**$**	**878**	$	1,043
Total equity settled share-based compensation expense	**$**	**878**	$	1,043

18. Cash Settled Incentive Plans

a) Cash or share settled Restricted Share Units and Performance Share Units ("CosRSUs and CosPSUs")

The Company has in place a Cash or share settled RSU/PSU incentive plan. This plan provides for the issuance of RSUs and PSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise or the employee can elect to receive the award in Parex common shares. CosRSUs and CosPSUs vest over a three-year period and are exercised at the vest date.

CosRSU:	Number of CosRSUs	Weighted average exercise price Cdn$/CosRSU
Balance, December 31, 2022	1,151,704	—
Granted[1]	676,119	—
Exercised	(582,105)	—
Forfeited	(9,203)	—
Balance, December 31, 2023	1,236,515	—
Granted[1]	683,101	—
Exercised	(593,565)	—
Forfeited	(163,799)	—
Balance, December 31, 2024	**1,162,252**	**—**

[1] Grants include units related to dividend equivalents granted on awards outstanding.

CosPSU:	Number of CosPSUs	Weighted average exercise price Cdn$/CosPSU
Balance, December 31, 2022	722,186	—
Granted[1]	328,679	—
Granted by performance factor	(19,468)	—
Exercised	(209,532)	—
Balance, December 31, 2023	821,865	—
Granted[1]	151,779	—
Granted by performance factor	57,567	—
Exercised	(345,774)	—
Forfeited	(2,850)	—
Balance, December 31, 2024	**682,587**	**—**

[1] Grants include units related to dividend equivalents granted on awards outstanding.

As at December 31, 2024, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the year ended December 31, 2024 was Cdn$20.75 per CosRSU and CosPSU (year ended December 31, 2023 - Cdn$22.99 per CosRSU and CosPSU). The weighted average share price on the exercise date for CosRSUs and CosPSUs exercised in 2024 was Cdn$21.72 (year ended December 31, 2023 – Cdn$23.77).

Pursuant to the cash or share settled restricted share unit and performance share unit plan, the Company has granted cash or share settled performance share units to certain employees. The CosPSUs vest three years after the grant date. CosPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a predetermined adjustment factor of between 0-2x is applied to CosPSUs eligible to vest at the end of the performance period. In March 2024 the board of directors approved a multiplier of 1.25X be applied to the 2021 CosPSU grant resulting in 57,567 CosPSUs issued. In March 2023 the board of directors approved a multiplier of 0.93X be applied to the 2020 CosPSU grant resulting in 19,468 CosPSUs reduction.

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at December 31, 2024, the total CosRSUs and CosPSUs liability accrued is $11.2 million (December 31, 2023 - $24.7 million) of which $4.0 million (December 31, 2023 - $8.4 million) is classified as long-term in accordance with the three-year vesting period.

b) Long Duration Restricted Share Units and Performance Share Units ("LDRSUs and LDPSUs")

In May 2024, Parex put in place a new long duration RSU/PSU incentive plan. This plan provides for the issuance of LDRSUs and LDPSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise or the employee can elect to receive the award in Parex common shares. LDRSUs and LDPSUs vest over a three-year period and expire ten years from the date of grant.

LDRSU:	Number of LDRSUs	Weighted average exercise price Cdn$/LDRSU
Balance, December 31, 2023	—	—
Granted[(1)]	154,383	—
Forfeited	(51,888)	—
Balance, December 31, 2024	**102,495**	**—**

[(1)] Grants include units related to dividend equivalents granted on awards outstanding.

LDPSU:	Number of LDPSUs	Weighted average exercise price Cdn$/LDPSU
Balance, December 31, 2023	—	—
Granted[(1)]	208,577	—
Balance, December 31, 2024	**208,577**	**—**

[(1)] Grants include units related to dividend equivalents granted on awards outstanding.

As at December 31, 2024, no LDRSUs and LDPSUs were vested.

The weighted average fair value at the grant date for the year ended December 31, 2024 was Cdn$21.06 per LDRSU and LDPSU.

Pursuant to the long duration restricted share unit and performance share unit plan, the Company has granted performance share units to certain employees. The LDPSUs vest three years after the grant date and expire 10 years after the grant date. LDPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to LDPSUs eligible to vest at the end of the performance period.

Obligations for payments of cash under the LDRSUs and LDPSUs plans are accrued as compensation expense over the vesting period based on the fair value of LDRSUs and LDPSUs. The fair value of LDRSUs and LDPSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at December 31, 2024, the total LDRSUs and LDPSUs liability accrued is $0.9 million of which $0.6 million is classified as long-term in accordance with the three-year vesting period.

c) Deferred share units ("DSUs")

The Company has in place a deferred share unit plan pursuant to which the Company may grant deferred shares to all non-employee directors. The deferred share units vest immediately and are settled in cash upon the retirement of the non-employee director from the Parex Board. The value of the DSUs at the exercise date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the exercise date. DSUs can only be redeemed following retirement from the Board of Directors of the Company in accordance with the terms of the DSU Plan. The DSUs liability cannot be settled by the issuance of common shares.

	Number of DSU's	Weighted average exercise price Cdn$/DSU
Balance, December 31, 2022	299,765	—
Granted[(1)]	43,529	—
Exercised on board retirement	(30,000)	—
Balance, December 31, 2023	313,294	—
Granted[(1)]	57,382	—
Exercised on board retirement	(21,864)	—
Balance, December 31, 2024	**348,812**	—

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The fair value at the grant date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the grant date. The weighted average fair value at the grant date for the year ended December 31, 2024 was Cdn$23.87 per DSU (year ended December 31, 2023 - Cdn$27.77 per DSU). The weighted average share price on the exercise date for DSUs exercised in 2024 was Cdn$18.43 (year ended December 31, 2023 – Cdn$28.06).

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU. As at December 31, 2024, the total DSUs liability accrued is $3.5 million (December 31, 2023 - $5.9 million) of which $3.5 million (December 31, 2023 - $5.5 million) is classified as long-term in accordance with the terms of the DSU plan.

d) Cash settled restricted share units ("CRSUs")

Parex Colombia has a cash settled restricted share units plan that provides for the issuance of CRSUs to certain employees of Parex Colombia. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise. CRSUs vest over a three-year period and are exercised at the vest date. The CRSUs liability cannot be settled by the issuance of common shares.

	Number of CRSUs	Weighted average exercise price Cdn$/CRSU
Balance, December 31, 2022	757,640	—
Granted[(1)]	344,653	—
Exercised	(377,086)	—
Forfeited	(46,095)	—
Balance, December 31, 2023	679,112	—
Granted[(1)]	569,740	—
Exercised	(350,201)	—
Forfeited	(87,975)	—
Balance, December 31, 2024	**810,676**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The weighted average fair value at the grant date for the year ended December 31, 2024 was Cdn$20.96 per CRSU (year ended December 31, 2023 - Cdn$22.94 per CRSU). The weighted average share price on the exercise date for CRSUs exercised in 2024 was Cdn$21.44 (year ended December 31, 2023 – Cdn$23.47).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is equivalent to the trading value of a common share of the Company on the valuation date. As at December 31, 2024, the total CRSUs liability accrued is $4.4 million (December 31, 2023 - $8.0 million) of which $1.4 million (December 31, 2023 - $2.4 million) is classified as long-term in accordance with the three-year vesting period.

e) Cash settled share-based compensation

For the year ended December 31,		2024		2023
CosRSUs and CosPSUs expense	**$**	**1,695**	$	21,550
LDRSUs and LDPSUs expense		**851**		—
DSUs (recovery) expense		**(2,085)**		2,091
CRSUs expense		**123**		5,680
Total cash settled share-based compensation expense	**$**	**584**	$	29,321
Cash payments made upon exercise	**$**	**20,647**	$	20,988

19. Income Tax

The components of tax expense for 2024 and 2023 were as follows:

For the year ended December 31,		2024		2023
Current tax expense	**$**	**89,492**	$	147,595
Adjustments in respect of prior period		**897**		8,088
Total current tax expense	**$**	**90,389**	$	155,683
Deferred tax expense (recovery)		**158,203**		(160,753)
Total tax expense (recovery)	**$**	**248,592**	$	(5,070)

In December 2021, the Organization for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework ("Pillar Two"). In May 2023, the IASB issued amendments to IAS 12 *Income Taxes* ("IAS 12") to address Pillar Two, which provide clarity on the impacts and additional disclosure requirements once the legislation is substantively enacted. Parex has applied the mandatory temporary exemption of IAS 12 and in turn, has not recognized the impacts of Pillar Two in the deferred tax calculation. The Company does not have a material impact as a result of Pillar Two.

Factors affecting tax expense for the year

The standard Colombian corporate income tax rate for 2024 was 35% plus an applicable 10% surtax as Parex is an oil producing entity under Colombian law. The total Colombian corporate tax rate for 2024 is 45% (year ended December 31, 2023 – 45%). The following is a reconciliation of income taxes calculated at the Colombian corporate tax rate to the tax expense for 2024 and 2023:

For the year ended December 31,		2024		2023
Income before tax	**$**	**309,272**	$	454,239
Income before tax multiplied by the standard rate of Colombian corporate tax of 45% (2023 – 45%)		**139,172**		204,408
Effects of:				
Income taxes recorded at rates different from the Colombian tax rate		**1,321**		33,775
Impact of Colombian tax rate changes		**(2,661)**		(2,555)
Non-deductible expense and other permanent differences		**(9,669)**		69,930
Share-based compensation		**202**		240
Adjustment in respect of prior period		**(364)**		(1,444)
Foreign exchange impact on tax pools denominated in foreign currency		**119,158**		(307,296)
Change in unrecognized deferred tax assets		**1,433**		(2,128)
Total tax expense (recovery)	**$**	**248,592**	$	(5,070)

Colombian current tax rates are as follows: 35% for 2024 and thereafter plus an applicable surtax for Colombian oil producing companies of between 0% to 15% dependent on the price of Brent crude relative to historical averages.

The analysis of deferred income tax assets as follows:

		December 31, 2024		December 31, 2023
Deferred tax assets to be settled within 12 months	**$**	**1**	$	1,303
Deferred tax assets to be settled after more than 12 months		**103,535**		245,375
Deferred income tax assets	**$**	**103,536**	$	246,678

The analysis of deferred income tax liabilities as follows:

	December 31, 2024	December 31, 2023
Deferred tax liabilities to be settled within 12 months	**$ —**	$ —
Deferred tax liabilities to be settled after more than 12 months	**$ 15,061**	—
Deferred income tax liability	**$ 15,061**	$ —
Net deferred tax (asset)	**$ (88,475)**	$ (246,678)

The deferred income tax liabilities and assets to be settled (recovered) within 12 months represents management's estimate of the timing of the reversal of temporary differences and does not correlate to the current income tax expense of the subsequent year.

The movement during the year in the deferred income tax liabilities and the net components is as follows:

Deferred Tax (Liability)	**December 31, 2024**	Charged (credited) to the statement of comprehensive income	December 31, 2023	Charged (credited) to the statement of comprehensive income
PP&E	**$ (15,061)**	**$ (15,061)**	$ —	$ 41,039
Decommissioning liability	**—**	**—**	**—**	(11,746)
Cash-settled equity based compensation	**—**	**—**	**—**	(2,928)
Other	**—**	**—**	**—**	(1,381)
Balance, end of year	**$ (15,061)**	**$ (15,061)**	$ —	$ 24,984

The movement during the year in the deferred income tax assets and the net components is as follows:

Deferred Tax Asset	**December 31, 2024**	Charged (credited) to the statement of comprehensive income	December 31, 2023	Charged (credited) to the statement of comprehensive income
PP&E	**$ 63,736**	**$ (128,796)**	$ 192,532	$ 100,262
Decommissioning liability	**33,400**	**(7,765)**	41,165	29,996
Other	**6,400**	**(6,581)**	12,981	5,512
Balance, end of year	**$ 103,536**	**$ (143,142)**	$ 246,678	$ 135,770

The Company has losses as well as other cumulative tax deductions in excess of book value in Canada available to reduce future taxable income in future years. At December 31, 2024, the deferred tax asset amount recorded in Canada is $3.0 million (December 31, 2023 - $7.0 million). The Company did not recognize deferred income tax assets on capital losses and other items in Canada of $32.0 million (December 31, 2023 - $32.0 million). Non-capital losses in Canada expire in 20 years and capital losses carry-forward indefinitely. The Company does not have losses available in Colombia. Amounts denominated in foreign currency have been translated at the December 31, 2024 exchange rate. At December 31, 2024, the Company had the following losses carry-forward:

	Canada
Year of expiry	
Indefinitely	$ 157,222
Total	**$ 157,222**

Earnings retained by subsidiaries amounted to $1,681.2 million at December 31, 2024 (December 31, 2023 - $2,332.8 million). No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings as it is not expected that they will be remitted in the foreseeable future.

20. Net income per Share

a) Basic net income per share

For the year ended December 31,		**2024**		2023
Net income				
Net income for the purpose of basic net income per share	**$**	**60,680**	$	459,309
Weighted average number of shares for the purposes of basic net income per share (000's)		**101,414**		106,247
Basic net income per share	**$**	**0.60**	$	4.32

b) Diluted net income per share

For the year ended December 31,		**2024**		2023
Net income				
Net income used to calculate diluted net income per share	**$**	**60,680**	$	459,309
Weighted average number of shares for the purposes of basic net income per share (000's)		**101,414**		106,247
Dilutive effect of share options and RSUs on potential common shares		**—**		48
Weighted average number of shares for the purposes of diluted net income per share		**101,414**		106,295
Diluted net income per share	**$**	**0.60**	$	4.32

For the year ended December 31, 2024, 897,633 stock options (December 31, 2023 - 191,416) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

21. Supplemental Disclosure of Cash Flow Information

a) Reconciliation of cash and cash equivalents and restricted cash and cash equivalents

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the amounts shown in the consolidated statement of cash flows:

For the year ended December 31,		**2024**		2023		2022
Cash and cash equivalents	**$**	**98,022**	$	140,352	$	419,002
Restricted cash and cash equivalents - current		**581**		—		—
Restricted cash and cash equivalents - long-term[(1)]		**3,184**		3,556		—
Total	**$**	**101,787**	$	143,908	$	419,002

(1) Included in Other long-term assets on the consolidated balance sheet.

b) Net change in assets and liabilities

For the year ended December 31,		**2024**		2023
Accounts receivable	**$**	**35,881**	$	(609)
Prepaids and other current assets		**15,948**		7,019
Crude oil inventory		**2,237**		379
Current income tax receivable/payable		**(4,583)**		(164,842)
Accounts payable and accrued liabilities		**(129,321)**		(139,158)
Depletion related to crude oil inventory		**(533)**		(37)
Decommissioning and environmental liabilities		**(10,273)**		(6,805)
Net change in assets and liabilities	**$**	**(90,644)**	$	(304,053)
Operating	**$**	**(52,318)**	$	(291,311)
Investing		**(39,775)**		(12,742)
Financing		**1,449**		—
Net change in assets and liabilities	**$**	**(90,644)**	$	(304,053)

c) Interest and taxes paid

For the year ended December 31,		2024		2023
Cash interest paid	**$**	**4,265**	$	—
Cash income taxes paid	**$**	**—**	$	245,423

22. Employee Salaries and Benefit Expenses

For the year ended December 31,		2024		2023
Salaries, bonuses and other short-term benefits	**$**	**54,218**	$	47,832
Equity settled share-based compensation		**878**		1,043
Cash settled share-based compensation		**584**		29,321
Total	**$**	**55,680**	$	78,196

Employee salaries, bonuses and short-term benefits are included in general and administrative expenses in the consolidated statements of comprehensive income. Stock option, CosRSUs, CosPSUs, LDRSUs, LDPSUs, CRSUs and DSUs expense are included in share-based compensation expense in the consolidated statements of comprehensive income.

23. Capital Management

The Company's strategy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain the confidence of investors and capital markets.

The Company has a senior secured credit facility with a syndicate of banks which at December 31, 2024 had a borrowing base in the amount of $240.0 million (December 31, 2023 - $200.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2024, $60.0 million (December 31, 2023 - $90.0 million) was drawn on the credit facility.

At December 31, 2024, performance guarantees were in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A. ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $160.7 million (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks (see note 26 - Commitments and Contingencies).

As at December 31, 2024, the Company's net working capital surplus was $59.4 million (December 31, 2023 - $79.0 million).

The Company has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure, share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity, the credit facility and its working capital. As at December 31, 2024 shareholders' equity was $1,831.3 million (December 31, 2023 - $1,955.4 million).

24. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity. The fair value of the revolving credit facility is equal to its carrying amount as the facility bears interest at floating rates and the credit spreads within the facility are indicative of market rates.

Long-term financial instruments of the Company carried on the consolidated balance sheet are carried at amortized cost. Financial derivative instruments, specifically fixed price contracts, are carried at fair value.

The fair value of the Company's financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy:

Level 1 – quoted prices in active markets for identical financial instruments.
Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's financial derivative instruments have been classified as level 2 based on the fair value hierarchy described above. The Company used the following techniques to determine the fair value measurements: Crude oil and foreign currency contracts are recorded at their estimated fair value based on the difference between the contracted price and the period end forward price for the same commodity and foreign currency, using quoted market prices or the period end forward price for the same commodity and foreign currency, extrapolated to the end of the contract term.
As at December 31, 2024, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Canadian dollar and COP against the US dollar would have decreased (increased) net income by approximately $3.5 million.

a) Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money do not meet their obligations. The Company assesses the financial strength of its joint venture partners and oil marketing counterparties in its management of credit exposure.

The Company for the year ended December 31, 2024 had the majority of its oil sales to two counterparties. Accounts receivable balance as at December 31, 2024 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At December 31, 2024, there were no accounts receivable past due (December 31, 2023 - $nil).

As at December 31, 2024 and 2023 the Company's accounts receivable are aged as follows:

For the year ended December 31,		**2024**		2023
Current (less than 90 days)	**$**	**82,686**	$	118,567
Past due (more than 90 days)		**—**		—
Total	**$**	**82,686**	$	118,567

None of the Company's receivables are impaired at December 31, 2024. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $240.0 million credit facility at December 31, 2024 was $60.0 million (December 31, 2023 - $200.0 million facility, $90.0 million drawn).

The following are the contractual maturities of financial liabilities at December 31, 2024:

	Less than 1 year	**2-3 Years**	**4-5 Years**	**Thereafter**		**Total**
Accounts payable and accrued liabilities	159,773	—	—	—	$	159,773
Derivative financial instruments	1,160	—	—	—		1,160
Bank debt	—	60,000	—	—		60,000
Lease obligation	581	4,622	—	—		5,203
Cash settled equity plans payable	10,377	9,553	—	—		19,930
Total	**$ 171,891**	**74,175**	**—**	**—**	**$**	**246,066**

The following are the contractual maturities of financial liabilities at December 31, 2023:

	Less than 1 year	**2-3 Years**	**4-5 Years**	**Thereafter**		**Total**
Accounts payable and accrued liabilities	$ 229,063	—	—	—	$	229,063
Bank debt	—	90,000	—	—		90,000
Lease obligation	734	5,736	—	—		6,470
Cash settled equity plans payable	22,351	16,284	—	—		38,635
Total	$ 252,148	112,020	—	—	$	364,168

c) Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to the prices received for its oil production. Crude oil is sensitive to numerous worldwide factors, many of which are beyond the Company's control. Changes in global supply and demand fundamentals in the crude oil market and geopolitical events can significantly affect crude oil prices. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company's oil production is sold under short-term contracts, exposing it to the risk of near-term price movements.

As at December 31, 2024, the Company had the following commodity price risk management contracts in place.

Period Hedged	Reference	Volume bbls/d	Sold Put	Purchased Put	Premium
January 1, 2025 to January 31, 2025	ICE Brent	11,250	$60.00	$70.00	$2.05
February 1, 2025 to February 28, 2025	ICE Brent	11,250	$60.00	$70.00	$2.05
March 1, 2025 to March 31, 2025	ICE Brent	11,250	$60.00	$70.00	$2.05

The following is a summary of the commodity price risk management contracts put in place since December 31, 2024:

Period Hedged	Reference	Volume bbls/d	Sold Put	Purchased Put	Premium
April 1, 2025 to April 30, 2025	ICE Brent	11,250	$60.00	$70.00	$1.21

The table below summarizes the loss on the commodity price risk management contracts that were in place during the years ended December 31, 2024 and 2023:

For the year ended December 31,		**2024**		2023
Unrealized loss on commodity price risk management contracts	**$**	**1,160**	$	—
Total	**$**	**1,160**	$	—

d) Foreign currency risk

The Company is exposed to foreign currency risk as various portions of its cash balances are held in Canadian dollars (Cdn$) and Colombian pesos (COP$) while its committed capital expenditures are expected to be primarily denominated in US dollars.

As at December 31, 2024, the Company had no outstanding foreign currency risk management contracts.

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the years ended December 31, 2024 and 2023:

For the year ended December 31,		**2024**		2023
Unrealized gain on foreign currency risk management contracts	**$**	**—**	$	(1,278)
Realized gain on foreign currency risk management contracts		**—**		(4,831)
Total	**$**	**—**	$	(6,109)

25. Segmented Information

The Company has foreign subsidiaries, and the following segmented information is provided:

For the year ended December 31, 2024	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 1,280,029	$ 1,280,029
Royalties	—	(201,418)	(201,418)
Net revenue	—	1,078,611	1,078,611
Other revenue	—	8,157	8,157
Commodity risk management contracts (loss)	—	(1,160)	(1,160)
Revenue	—	1,085,608	1,085,608
Expenses			
Production	—	255,278	255,278
Transportation	—	65,745	65,745
Purchased oil	—	904	904
General and administrative	37,435	31,473	68,908
Impairment of exploration and evaluation assets	—	54,085	54,085
Impairment of property, plant and equipment assets	—	78,417	78,417
Impairment of long-term inventory	—	10,000	10,000
Equity settled share-based compensation expense	878	—	878
Cash settled share-based compensation expense	461	123	584
Depletion, depreciation and amortization	2,735	213,035	215,770
Other expenses	—	6,227	6,227
Foreign exchange loss	705	4,742	5,447
	42,214	720,029	762,243
Finance (income)	(832)	(3,483)	(4,315)
Finance expense	6,173	12,235	18,408
Net finance expense	5,341	8,752	14,093
Income (loss) before taxes	(47,555)	356,827	309,272
Current tax expense (recovery)	(3,124)	93,513	90,389
Deferred tax expense	3,796	154,407	158,203
Net income (loss)	**$ (48,227)**	**$ 108,907**	**$ 60,680**
Capital assets (end of year)	$ 8,919	$ 1,527,310	$ 1,536,229
Capital expenditures	$ 3,820	$ 343,875	$ 347,695
Total assets (end of year)	$ 54,088	$ 2,100,974	$ 2,155,062

For the year ended December 31, 2023	Canada	Colombia	Total
Oil and natural gas sales[1]	$ —	$ 1,408,703	$ 1,408,703
Royalties	—	(244,703)	(244,703)
Net revenue	—	1,164,000	1,164,000
Other revenue[1]	—	6,314	6,314
Revenue	—	1,170,314	1,170,314
Expenses			
Production	—	207,129	207,129
Transportation	—	68,306	68,306
Purchased oil	—	4,583	4,583
General and administrative	36,164	24,913	61,077
Impairment of exploration and evaluation assets	—	82,858	82,858
Impairment of property, plant and equipment assets	—	59,682	59,682
Equity settled share-based compensation expense	1,043	—	1,043
Cash settled share-based compensation expense	23,640	5,681	29,321
Depletion, depreciation and amortization	1,931	192,298	194,229
Other expenses[1]	—	2,582	2,582
Foreign exchange loss (gain)	(278)	5,764	5,486
	62,500	653,796	716,296
Finance (income)[1]	(3,973)	(10,082)	(14,055)
Finance expense[1]	2,551	11,283	13,834
Net finance expense (income)	(1,422)	1,201	(221)
Income (loss) before taxes	(61,078)	515,317	454,239
Current tax expense	5,341	150,342	155,683
Deferred tax (recovery)	(1,945)	(158,808)	(160,753)
Net income (loss)	**$ (64,474)**	**$ 523,783**	**$ 459,309**
Capital assets (end of year)	$ 7,834	$ 1,541,931	$ 1,549,765
Capital expenditures	$ 1,816	$ 481,527	$ 483,343
Total assets (end of year)	$ 107,334	$ 2,307,993	$ 2,415,327

[1] Certain comparative figures have been reclassified to conform with the current period's presentation as described in Note 2.

For the year ended December 31, 2024, the Company had two external customers (year ended December 31, 2023 - one external customer), in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to these customers totaled $1,082.5 million for the year ended December 31, 2024, and $1,028.6 million for the year ended December 31, 2023, respectively.

26. Commitments and Contingencies

a) Colombia

At December 31, 2024, performance guarantees were in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A. ("Ecopetrol") joint venture blocks in the amount of $160.7 million (December 31, 2023 - $141.0 million) to support the exploration work commitments on its Colombian concessions. The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The value of the Company's exploration commitments as at December 31, 2024 in respect of the Colombia work commitments under E&P contracts, joint venture farm-in arrangements and business collaboration agreements are estimated to be as follows:

(000s)	
2025	$ 63,650
2026	135,868
2027	19,263
2028	68,276
2029	11,689
Thereafter	487,529
Total	**$ 786,275**

b) Operating leases

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations.

The existing minimum lease payments for office space and accommodations at December 31, 2024 are as follows:

(000s)		Total	2025	2026	2027	2028	2029	Thereafter
Office and accommodations	$	7,518	2,885	1,910	778	778	778	389

27. Related Party Disclosures

a) Significant Subsidiaries

The consolidated financial statements include the financial statements of Parex Resources Inc. at December 31, 2024 and 2023. Transactions between subsidiaries are eliminated upon consolidation.

b) Compensation of Key Management Personnel

Key management personnel compensation, including directors, is as follows:

For the year ended December 31,		**2024**		2023
Salaries, directors' fees and other benefits	**$**	**4,356**	$	5,448
Equity settled share-based compensation		**478**		637
Cash settled share-based compensation		**5,846**		5,841
Total	**$**	**10,680**	$	11,926

c) Other transactions

The Company did not have any related party transactions with entities outside the consolidated group for the years ended December 31, 2024 and 2023.

28. Subsequent Event

On January 22, 2025, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 8,621,348 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The NCIB will terminate on January 21, 2026. The Company also entered into an automatic share purchase plan with a broker to facilitate repurchases of Common Shares pursuant to the Company's NCIB. Under the Company's automatic share purchase plan, the Company's broker may repurchase Common Shares under the NCIB during the Company's self-imposed blackout periods. As at February 28, 2025, the Company has repurchased approximately 0.3 million shares at an average price of Cdn$14.30 per share, for total consideration of Cdn$3.9 million under the current normal course issuer bid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or the "Company") for the three months and years ended December 31, 2024 and 2023 is dated March 4, 2025 and should be read in conjunction with the audited consolidated financial statements as at and for the years ended December 31, 2024 and 2023 (the "audited consolidated financial statements"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Additional information related to Parex are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated March 4, 2025 (the "AIF"), and may be accessed through the SEDAR+ website at www.sedarplus.ca.

All financial amounts are in United States (US) dollars unless otherwise stated.

Company Profile

Parex is one of the largest independent oil and gas companies in Colombia, focusing on sustainable conventional production. The Company's corporate headquarters are in Calgary, Canada, with an operating office in Bogotá, Colombia. Parex shares trade on the Toronto Stock Exchange under the symbol PXT.

Abbreviations

Refer to the final page of the MD&A for commonly used abbreviations in the document. Refer to the Advisory on Forward-Looking Statements and Non-GAAP and Other Financial Measures Advisory.

References to crude oil or natural gas production in this MD&A refer to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities ("NI 51-101").*

2024 Highlights

- Crude oil and natural gas production in 2024 averaged 49,924 boe/d. Average production in 2024 decreased 8% compared to 2023 average production of 54,356 boe/d. Refer to "Consolidated Results of Operations" for production split by product type.
- Realized net income of $60.7 million ($0.60 per share basic) compared to net income of $459.3 million ($4.32 per share basic) in 2023. The decrease from the comparative year is largely related to a decrease in oil revenues from lower oil volumes sold as well as increases in deferred tax expense.
- Generated annual funds flow provided by operations ("FFO")[(1)] of $622.2 million ($6.14 per share basic[(2)]), compared to $667.8 million ($6.29 per share basic[(2)]) in 2023.
- Produced an operating netback of $41.30boe[(2)] (2023 - $44.55/boe[(2)]) and an FFO netback of $33.95/boe[(2)] (2023 - $33.59/boe[(2)]) from an average Brent price of $79.86/bbl (2023 - $82.18/bbl).
- Incurred capital expenditures[(3)] of $347.7 million (2023 - $483.3 million).
- Generated $274.5 million of free funds flow[(3)] that was used for return of capital initiatives and $30.0 million of bank debt repayment; working capital surplus[(1)] was $59.4 million at December 31, 2024 and cash ended at $98.0 million at December 31, 2024.
- Paid a C$1.53 per share[(4)] regular dividend and repurchased 5,494,850 shares pursuant to the Company's normal course issuer bid ("NCIB"). A total of $186.0 million was returned to shareholders through dividends of $112.2 million and share repurchases of $73.8 million. The Company's regular quarterly dividend was increased by 3% to Cdn$0.385 in Q2 2024 from Cdn$0.375.

Three Months Ended December 31, 2024 ("fourth quarter" or "Q4") Highlights

- Realized a net loss of $69 million ($0.70 per share basic) compared to net income of $133.8 million ($1.28 per share basic) in 2023. The decrease from the comparative year is largely related to a decrease in oil revenues from lower oil volumes sold as well as increases in deferred tax expense.
- Generated quarterly FFO[(1)] of $141.2 million ($1.43 per share basic[(2)]) compared to $193.4 million ($1.85 per share basic[(2)]) in the fourth quarter of 2023.
- Produced an operating netback[(2)] of $34.90/boe (Q4 2023 - $41.22/boe) and an FFO netback[(2)] of $32.39/boe (Q4 2023 - $36.81/boe) from an average Brent price of $74.01/bbl (2023 - $82.90/bbl).
- Generated $59.1 million of free funds flow[(3)] that was used for return of capital initiatives.
- Paid a C$0.385 per share[(4)] regular quarterly dividend and repurchased 1,692,000 shares pursuant to the Company's NCIB.

(1) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(4) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Financial Summary

	For the three months ended December 31,		For the year ended December 31,		
(Financial figures in $000s except per share amounts)	**2024**	2023	**2024**	2023	2022
Light Crude Oil and Medium Crude Oil (bbl/d)	**9,550**	9,700	**8,850**	8,417	7,471
Heavy Crude Oil (bbl/d)	**34,882**	46,760	**40,336**	45,163	43,008
Average oil production (bbl/d)[(1)]	**44,432**	56,460	**49,186**	53,580	50,479
Average conventional natural gas production (mcf/d)[(1)]	**5,190**	5,214	**4,428**	4,656	9,420
Average oil and natural gas production (boe/d)	**45,297**	57,329	**49,924**	54,356	52,049
Production split (% crude oil)	**98**	98	**99**	99	97
Oil and natural gas sales price ($/boe)[(6)]	**63.73**	70.55	**69.80**	70.71	86.55
Operating netback ($/boe)[(1)]	**34.90**	41.22	**41.30**	44.55	58.84
Oil and natural gas sales	**277,824**	370,688	**1,280,029**	1,408,703	1,643,589
Funds flow provided by operations[(7)]	**141,201**	193,377	**622,233**	667,782	724,890
Per share – basic[(1)(3)]	**1.43**	1.85	**6.14**	6.29	6.38
Per share – diluted[(1)(3)]	**1.43**	1.85	**6.14**	6.28	6.38
Net income (loss)	**(69,051)**	133,783	**60,680**	459,309	611,368
Per share – basic[(3)]	**(0.70)**	1.28	**0.60**	4.32	5.38
Per share – diluted[(3)]	**(0.70)**	1.28	**0.60**	4.32	5.38
Dividends paid	**26,658**	29,505	**112,184**	118,676	75,491
Per share – Cdn$[(3)(6)]	**0.385**	0.375	**1.53**	1.50	0.89
Shares repurchases	**16,408**	22,453	**73,789**	105,068	221,464
Number of shares repurchased (000s)	**1,692**	1,220	**5,495**	5,628	11,821
Capital expenditures[(2)]	**82,110**	91,419	**347,695**	483,343	512,252
Long-term inventory expenditures	**(2,569)**	(866)	**4,773**	39,430	140,266
Free funds flow [(2)]	**59,091**	101,958	**274,538**	184,439	212,638
EBITDA[(2)]	**(10,419)**	110,860	**545,362**	650,829	953,210
Adjusted EBITDA[(2)]	**137,312**	201,552	**720,089**	817,280	1,066,040
Total assets (end of period)	**2,155,062**	2,415,327	**2,155,062**	2,415,327	2,314,373
Working capital surplus (end of period)[(4)(7)]	**59,397**	79,027	**59,397**	79,027	84,988
Bank debt (end of period)[(5)]	**60,000**	90,000	**60,000**	90,000	—
Weighted average shares outstanding (000s)					
Basic	**99,063**	104,394	**101,414**	106,247	113,572
Diluted	**99,063**	104,448	**101,414**	106,295	113,661
Outstanding shares (end of period) (000s)	**98,339**	103,812	**98,339**	103,812	109,112

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(4) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(5) Syndicated bank credit facility borrowing base of $240.0 million as at December 31, 2024 (December 31, 2023 - $200.0 million).
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(7) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory". For the year ended December 31, 2022, funds flow provided by operations includes a $100 million ($0.92 per share basic) increased current tax expense as a result of a voluntary, internal corporate restructuring. See the "Income Tax" section.

2024 Guidance vs Actuals

The table below is a summary of Parex's original annual guidance for 2024 and a review of 2024 actual results:

Category	2024 Guidance (January 15, 2024)	2024 Actuals	% variance from 2024 Guidance - midpoint
Brent Crude Oil Average Price ($/bbl)	75	**80**	7
Average Production (boe/d)[1]	54,000-60,000	**49,924**	(12)
Funds Flow Provided by Operations Netback ($/boe)[3]	29-31	**34**	13
Funds Flow Provided by Operations ($ millions)[4]	590-660	**622**	—
Capital Expenditures ($ millions)[2]	390-430	**348**	(15)
Free funds Flow (mid-points) ($ millions)[2]	215	**275**	28
Current tax effective rate on FFO midpoint (%)[5]	19-21%	**13%**	(35)

(1) Refer to "Consolidated Results of Operations" for annual production split by product type.
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(5) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

In 2024, Brent crude prices were higher than Parex's 2024 guidance. As Parex was unhedged, higher oil prices contributed to higher funds flow provided by operations and free funds flow, however this was offset by decreased oil and gas production volumes compared to the original guidance. Parex's actual 2024 average production volumes being below its guidance range was largely a result of Arauca underperformance. Capital expenditures were below the forecasted range in line with lower production. Funds flow provided by operations was in line with expected 2024 guidance and funds flow provided by operations netback was higher than the expected 2024 guidance, largely as a result of a lower than expected current tax effective rate due to lower cash flow from operations before tax and the impacts of tax strategies deployed in previous years.

Return of Capital to Shareholders

Parex looks to provide a significant return of capital to shareholders through dividends and share repurchases, while investing in the Company's assets to provide a total shareholder return. In 2024 Parex bought back 5% of its outstanding shares under the Company's NCIB. To further increase shareholder returns in 2024 the Company increased the regular quarterly dividend in the second quarter of 2024 by 3% to Cdn$0.385 compared to Cdn$0.375 to bring the annual dividend to $1.53 for 2024 compared to $1.50 for 2023, which delivered $112.2 million to shareholders through dividends in 2024.

2025 Guidance

The following table summarizes the Company's 2025 annual guidance:

Category	2025 Guidance (January 14, 2025)
Brent Crude Oil Average Price ($/bbl)	70
Average Production (boe/d)[1]	43,000-47,000
Funds Flow provided by operations netback ($/boe)[1][3]	26-28
Funds flow provided by operations ($ millions)[4]	425-465
Capital Expenditures ($ millions)[1][2]	285-315
Free funds flow (mid-point) ($ millions)[1][2]	145
Current tax effective rate on FFO midpoint (%)[1][5]	3-6%

(1) See the Company's January 14, 2025 news release for additional details on 2025 corporate guidance and netback sensitivity estimates.
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(5) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

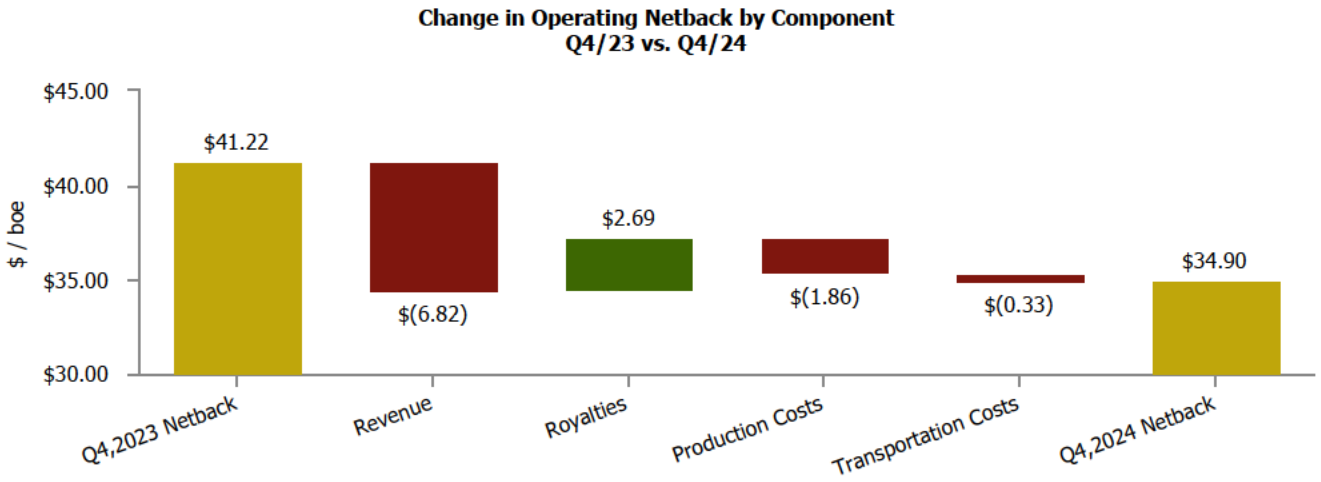
Financial and Operational Results

Consolidated Results of Operations

Parex's oil and gas operations are conducted in Colombia with head office functions conducted in Canada.

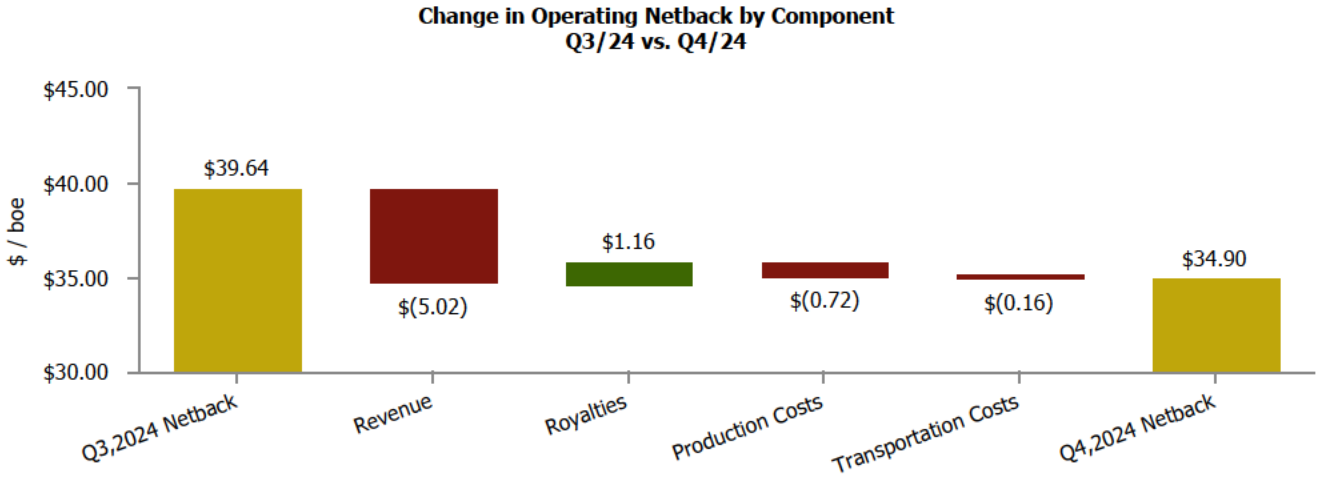
	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Average daily production				
Light Crude and Medium Crude Oil (bbl/d)	**9,550**	9,700	**8,850**	8,417
Heavy Crude Oil (bbl/d)	**34,882**	46,760	**40,336**	45,163
Crude oil (bbl/d)	**44,432**	56,460	**49,186**	53,580
Conventional Natural Gas (mcf/d)	**5,190**	5,214	**4,428**	4,656
Total (boe/d)	**45,297**	57,329	**49,924**	54,356
Production split (% crude oil production)	**98**	98	**99**	99
Average daily sales of oil and natural gas				
Produced crude oil (bbl/d)	**46,520**	56,240	**49,342**	53,684
Purchased crude oil (bbl/d)	**—**	—	**28**	125
Produced natural gas (mcf/d)	**5,190**	5,214	**4,428**	4,656
Total (boe/d)	**47,385**	57,109	**50,108**	54,585
Operating netback (000s)				
Oil and natural gas sales	**$ 277,824**	$ 370,688	**$ 1,280,029**	$ 1,408,703
Royalties	**(41,094)**	(63,695)	**(201,418)**	(244,703)
Net revenue[4]	**236,730**	306,993	**1,078,611**	1,164,000
Production expense	**(67,708)**	(71,833)	**(255,278)**	(207,129)
Transportation expense	**(16,877)**	(18,621)	**(65,745)**	(68,306)
Purchased oil expense	**(59)**	(498)	**(904)**	(4,583)
Operating netback[1]	**$ 152,086**	$ 216,041	**$ 756,684**	$ 883,982
Operating netback (per boe)				
Brent ($/bbl)	**$ 74.01**	$ 82.90	**$ 79.86**	$ 82.18
Parex price differential	**(10.28)**	(12.35)	**(10.06)**	(11.47)
Oil and natural gas sales[2]	**$ 63.73**	$ 70.55	**$ 69.80**	$ 70.71
Royalties[2]	**(9.43)**	(12.12)	**(10.99)**	(12.31)
Net revenue[2]	**54.30**	58.43	**58.81**	58.40
Production expense[2]	**(15.53)**	(13.67)	**(13.93)**	(10.42)
Transportation expense[2]	**(3.87)**	(3.54)	**(3.58)**	(3.43)
Operating netback[3]	**$ 34.90**	$ 41.22	**$ 41.30**	$ 44.55

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Net revenue for the year ended December 31, 2022 was $1,310.7 million.



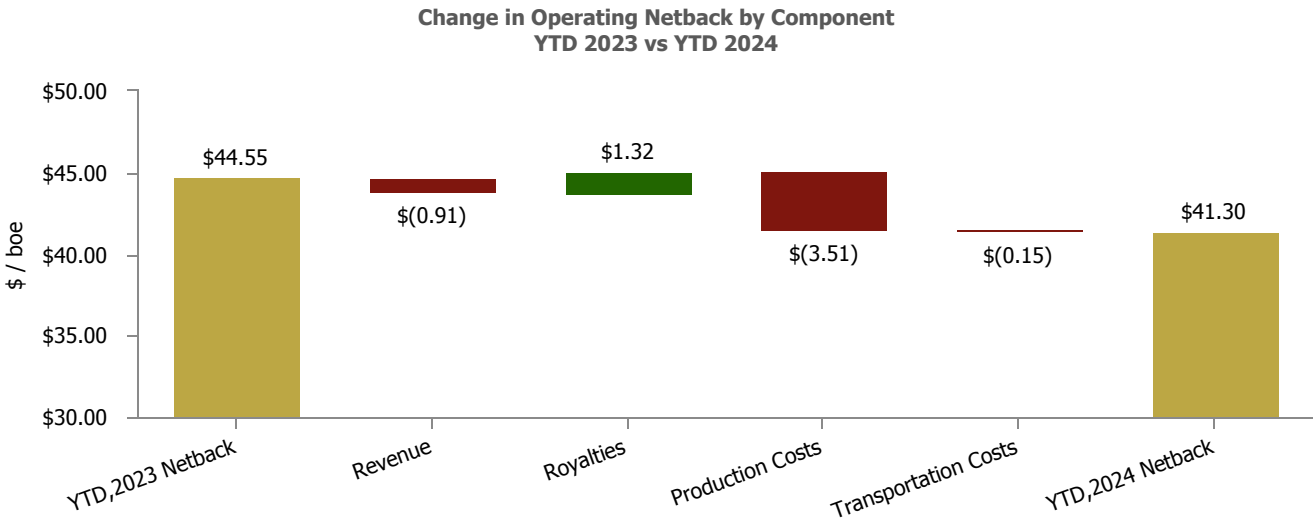
In the fourth quarter of 2024, the Company's benchmark Brent price decreased by $8.89/bbl, while revenue decreased by $6.82/boe as compared to the fourth quarter of 2023. The increase in revenue relative to the Brent crude benchmark decrease was mainly a result of a decrease in wellhead sales, partially offset by higher location and quality differentials. Royalties decreased by $2.69/boe mainly as a result of lower production in the fourth quarter of 2024 in areas where high price share royalties are applicable resulting in lower higher price share royalties and lower realized prices. Production costs increased by $1.86/boe mainly as a result of increased fixed cost absorption and electrical power costs, partially offset by the depreciation of the Colombian peso. Transportation costs in the quarter increased by $0.33/boe as compared to the fourth quarter of 2023.

Overall, the operating netback decreased by $6.32/boe compared to a Brent benchmark crude price decrease of $8.89/bbl.



In the fourth quarter of 2024, the Company's benchmark Brent oil price decreased by $4.70/bbl, while revenue decreased by $5.02/boe as compared to the third quarter of 2024. The decrease in revenue relative to the Brent crude oil benchmark decrease was mainly a result of an increase in wellhead sales in the quarter as compared to the comparative period. Royalties decreased by $1.16/boe mainly as a result of lower production in the fourth quarter of 2024 in areas where high price share royalties are applicable resulting in lower higher price share royalties and lower realized prices. Production costs increased by $0.72/boe mainly as a result of increased fixed cost absorption and electrical power costs, partially offset by decreased well services and facility maintenance, other variable costs and the depreciation of the Colombian peso. Transportation costs increased by $0.16/boe as compared to the third quarter of 2024.

Overall, the operating netback decreased by $4.74/boe compared to a Brent benchmark crude price decrease of $4.70/bbl.



In 2024, the Company's benchmark Brent price decreased by $2.32/bbl, while revenue decreased by $0.91/boe as compared to 2023. The increase in revenue relative to the higher Brent crude benchmark decrease was mainly the result of a decrease in wellhead sales. Royalties decreased by $1.32/boe mainly a result of lower production in 2024 in areas where high price share royalties are applicable resulting in lower higher price share royalties as compared to 2023. Production costs in 2024 increased by $3.51/boe mainly as a result of increased fixed cost absorption, electrical power cost, well services and facility maintenance and Colombian peso appreciation. Transportation costs in 2024 increased by $0.15/boe as compared to 2023.

Overall, the operating netback decreased by $3.25/boe compared to a Brent benchmark crude price decrease of $2.32/bbl.

Oil and Natural Gas Sales

a) Average Daily Production and Sales Volumes (boe/d)

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Block LLA-34	**23,633**	29,513	**26,466**	29,827
Southern Llanos Basin	**15,227**	20,884	**16,550**	18,639
Northern Llanos Basin	**3,260**	3,974	**4,022**	3,042
Magdalena Basin	**2,312**	2,089	**2,148**	2,072
Total Crude Oil Production	**44,432**	56,460	**49,186**	53,580
Natural gas production	**865**	869	**738**	776
Total crude oil and natural gas production	**45,297**	57,329	**49,924**	54,356
Crude oil inventory draw (build)	**2,088**	(220)	**156**	104
Average daily sales of produced oil and natural gas	**47,385**	57,109	**50,080**	54,460
Purchased oil	**—**	—	**28**	125
Sales Volumes	**47,385**	57,109	**50,108**	54,585

Crude oil and natural gas production for the fourth quarter of 2024 averaged 45,297 boe/d, a decrease of approximately 21% from the fourth quarter of 2023 production of 57,329 boe/d and a decrease of approximately 5% from the third quarter of 2024 production of 47,569 boe/d.

The decrease in oil and natural gas production in the fourth quarter of 2024 compared to the fourth quarter of 2023 is mainly the result of decreased oil production at Block LLA-34 and Cabrestero Block in the Southern Llanos Basin mainly as a result of natural decline in addition to increased downtime. Also impacting production in the fourth quarter of 2024 were social factors at Block LLA-32 in the Southern Llanos Basin and Capachos in the Northern Llanos Basin.

The decrease in oil and natural gas production in the fourth quarter of 2024 compared to the third quarter of 2024 is mainly the result of decreased oil production at Block LLA-34 as a result of increased downtime. Also impacting production in the fourth quarter of 2024 were social factors at Block LLA-32 in the Southern Llanos Basin and Capachos in the Northern Llanos Basin.

Block LLA-34 oil production in 2024 was approximately 11% less than the comparative period in 2023. This decrease is mainly due to natural declines in addition to increased downtime.

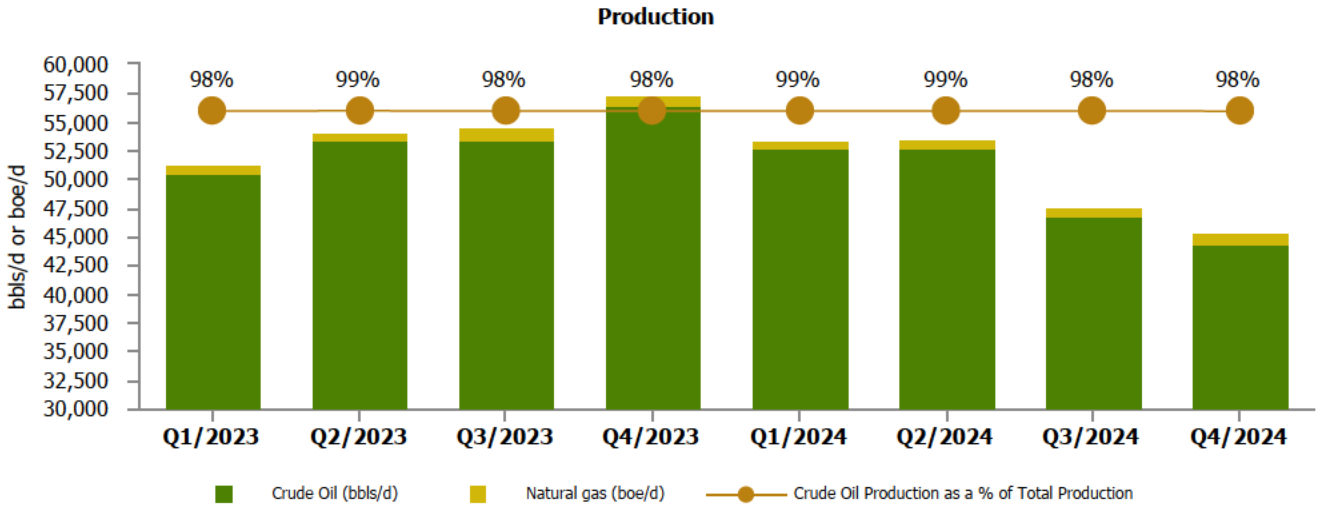
Northern Llanos basin production in 2024 was approximately 32% higher than the comparative period in 2023. Production in 2023 was impacted by temporarily shut-ins on the Capachos Block during the first and second quarters of 2023 due to security concerns.

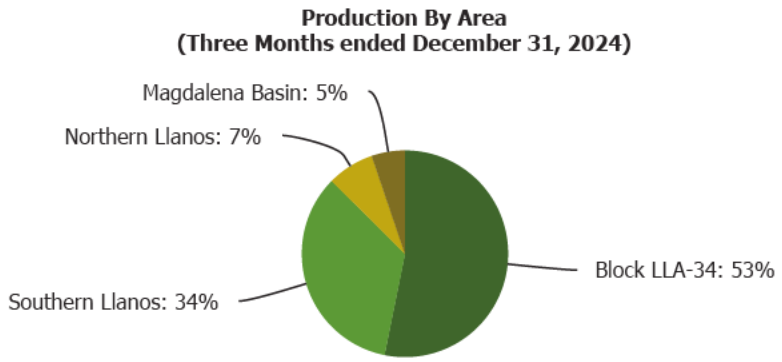
Southern Llanos basin production was approximately 11% less than the prior year comparative period mainly due to natural declines in addition to lack of new production.

Magdalena basin production in 2024 was approximately 4% higher than the prior year comparative period of 2023 due to increased production on the VIM-1 Block as the Company successfully started gas cycling on the VIM-1 Block in the first quarter of 2023, which by reinjecting gas maintains reservoir pressure and maximizes liquids production.

Oil and natural gas sales in the fourth quarter of 2024 were 47,385 boe/d compared to 57,109 boe/d for the fourth quarter of 2023. The decrease in oil sales volumes was a result of the decrease in oil production from the comparative period. Production for Q1 2025 to date up to February 28, 2025 averaged approximately 44,500 boe/d.

Refer to "Consolidated Results of Operations" for annual production split by product type.





b) Crude Oil Reference and Realized Prices

Average price for the period	**Q4 2024**	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Brent ($/bbl)	**74.01**	78.71	85.03	81.87	82.90
Parex location and quality differential ($/bbl)	**(5.16)**	(5.46)	(3.84)	(4.75)	(4.29)
Parex wellhead sales discount ($/bbl)	**(4.84)**	(4.18)	(5.50)	(6.10)	(7.55)
Parex realized oil sales price ($/bbl)[2]	**64.01**	69.07	75.69	71.02	71.06
Parex realized price (differential) to Brent crude ($/bbl)	**(10.00)**	(9.64)	(9.34)	(10.85)	(11.84)
Parex transportation expense ($/bbl)[1][2]	**(3.96)**	(3.76)	(3.43)	(3.43)	(3.58)
Parex price differential and transportation expense ($/bbl)[2]	**(13.96)**	(13.40)	(12.77)	(14.28)	(15.42)

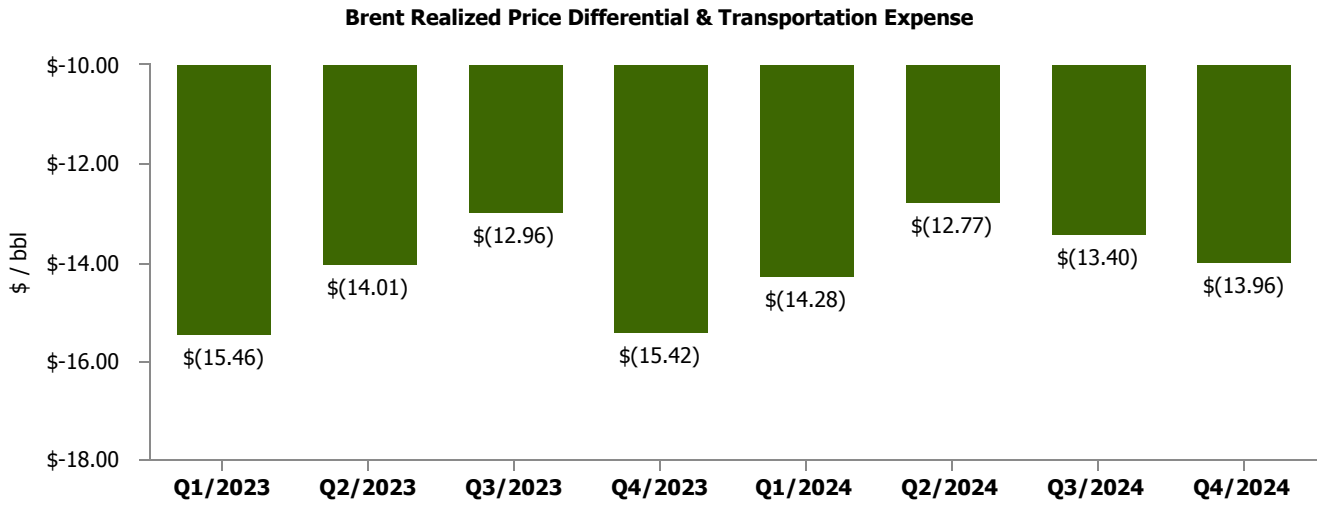
(1) Applies only to direct export cargo sales where Parex incurs the pipeline fees directly. See "Transportation Expense".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the fourth quarter of 2024, the differential between Brent reference pricing and the Company's realized oil sale price was $10.00/bbl. The differential to Brent crude during the fourth quarter of 2024 increased by $0.36/bbl compared to the third quarter of 2024 where the differential was $9.64/bbl. Compared to the fourth quarter of 2023 Parex's realized price improved from a differential of $11.84/bbl to $10.00/bbl, which was mainly driven by a decrease in wellhead sales discount as result of decreased sales at the wellhead, partially offset by an increase in location and quality differentials that was mainly related to increased differentials on heavy oil.

Differences between Parex's realized price and Brent crude price is mainly related to location and quality adjustments, wellhead sale marketing contracts, and the timing of oil sales compared to quarter averages. The location and quality differential between Brent crude pricing also affects Parex's realized sales price and is set in liquid global markets and therefore attributed to factors that are beyond the Company's control making it inherently difficult to forecast.

Parex's realized price differential to Brent crude can fluctuate period over period due to, among other factors, the type of sales contract and the accounting treatment for oil sold at the wellhead versus direct export sales contracts.

In 2025, to the date of this MD&A, Parex has seen a considerable change in the Vasconia differential to Brent compared to Q4, 2024. The current Vasconia differential to Brent is approximately under $2/bbl, compared to the fourth quarter 2024 differential of $5.16/bbl. This improvement is likely a result of tariff tensions impacting world crude pricing.



c) Natural Gas Sales and Realized Prices

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Natural gas sales ($000s)	**$ 3,876**	$ 3,007	**$12,851**	$ 10,096
Realized sales price ($/Mcf)[(1)]	**8.12**	6.27	**7.93**	5.94

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Parex natural gas sales were $3.9 million and $12.9 million for the three months and year ended December 31, 2024 compared to $3.0 million and $10.1 million in the same periods of 2023. The increase in natural gas sales from the prior periods is primarily related to increased volumes sold from the Capachos and VIM-1 Blocks.

d) Oil and Natural Gas Sales

In 2024 oil and natural gas sales decreased by $128.7 million or 9% as reconciled in the table below to 2023:

($000s)		
Oil and natural gas sales, year ended December 31, 2023	**$**	**1,408,703**
Sales volume of produced oil, a decrease of 8% (4,342 bbl/d)		**(109,321)**
Sales volume of purchased oil, a decrease of 77% (97 bbl/d)		**(2,503)**
Sales price decrease of 2%		**(19,605)**
Sales volume and price change of produced natural gas		**2,755**
Oil and natural gas sales, year ended December 31, 2024	**$**	**1,280,029**

Oil and natural gas sales decreased year over year mainly due to lower oil volumes sold and a decrease in world oil prices.

e) Crude Oil Inventory in Transit

As at December 31, ($000s)		**2024**		2023
Crude oil in transit	**$**	**2,017**	$	4,254

As at December 31, 2024, the Company had 48.5 mbbls (December 31, 2023 - 105.6 mbbls) of crude oil inventory in transit, which was injected into Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, transportation costs, depletion expense and royalty expense) at approximately $42/bbl ($40/bbl - 2023) incurred in bringing the crude oil to its existing condition and location.

A reconciliation of quarter-to-quarter crude oil inventory movements is provided below:

For the periods ended (mbbls)	**Dec. 31, 2024**	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024
Crude oil inventory in transit - beginning of the period	**240.6**	253.1	224.7	105.6
Oil production	**4,087.7**	4,309.4	4,802.1	4,803.0
Oil sales	**(4,279.8)**	(4,326.2)	(4,778.6)	(4,685.0)
Purchased oil	**—**	4.3	4.9	1.1
Crude oil inventory in transit (overlift) - end of the period	**48.5**	240.6	253.1	224.7
% of period production	**1.2**	5.6	5.3	4.7

Crude oil inventory build (and draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export. The Company expects crude oil inventory in future periods to be in line with normal historic levels of below 5% of period production.

f) Purchased Oil

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Purchased oil expense ($000s)	**$ 59**	$ 498	**$ 904**	$ 4,583

Purchased oil expense for the three months and year ended December 31, 2024 was $0.1 million and $0.9 million compared to $0.5 million and $4.6 million for the 2023 comparative periods and $0.4 million in the third quarter of 2024.

Purchased oil expense has decreased compared to the same periods of 2023 as a result of a decrease in oil blending operations and a decrease in purchases of partner crude oil from the Capachos Block. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

g) Other Revenue

The Company's other revenue includes pipeline transportation revenue and revenue related to energy generation and use of infrastructure.

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Other revenue	**$ 2,739**	$ 3,162	**$ 8,157**	$ 6,314

Royalties

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Base royalties[1]	**$ 22,883**	$ 32,097	**$ 106,980**	$ 119,730
Economic rights[2]	**18,211**	31,598	**94,438**	124,973
Royalties ($000s)	**$ 41,094**	$ 63,695	**$ 201,418**	$ 244,703
Per unit ($/boe)[3]	**9.43**	12.12	**10.99**	12.31
Percentage of sales[3]	**15**	17	**16**	17

(1) Base royalties are sliding scale royalties based on field production and payable to the Colombian National Hydrocarbon Agency ("ANH"). Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.

(2) Economic rights include high price share royalties applicable to production in excess of 5 million barrels of oil and X-Factor royalties are an additional royalty applicable to heavy oil production, both payable to ANH. Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.

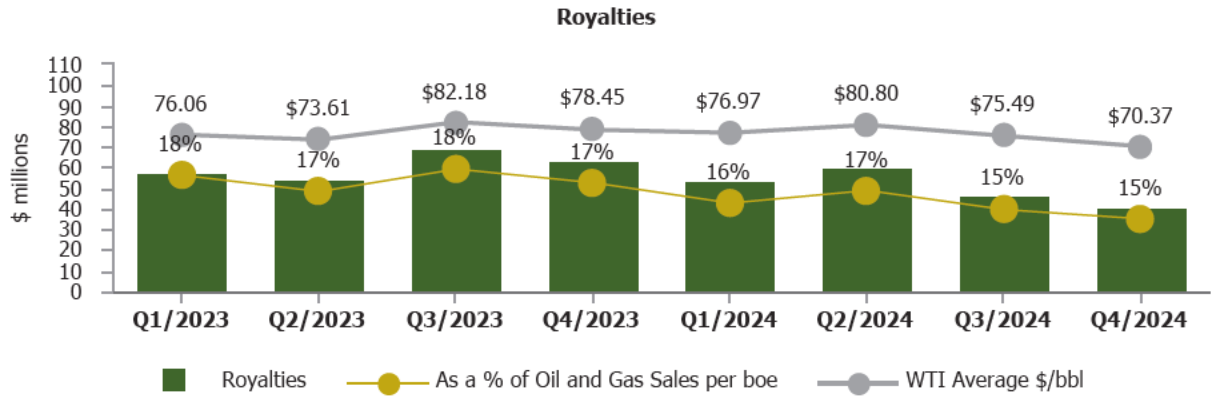
(3) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

For the three months and year ended December 31, 2024, royalties as a percentage of sales were 15% and 16% compared to 17% for both of the 2023 comparative periods. Third quarter of 2024 royalties as a percentage of sales was 15%. The decrease in royalties as a percentage of sales compared to the 2023 comparative periods was mainly a result of lower production in 2024 in areas where high price share royalties are applicable resulting in decreased high price share royalties.

Benchmark WTI prices are used in the high price share royalty ("HPR") calculation. Effectively higher realized WTI oil prices result in a higher royalty percentage realized. Benchmark WTI prices for the three months and year ended December 31, 2024 were $70.37 and $75.90 compared to $78.45 and $77.58 for the 2023 comparative periods and $75.49 in the third quarter of 2024.

The decrease in royalty expense to $41.1 million and $201.4 million in the three months and year ended December 31, 2024, respectively, compared to $63.7 million and $244.7 million for the 2023 comparative periods is a result of lower production in 2024 in areas where high price share royalties are applicable resulting in decreased high price share royalties.

The HPR comes into effect when accumulated production of any production area, inclusive of royalty volumes, exceeds 5 million barrels, and in the event international reference prices exceed pricing determined in the contract. The calculation is described as a "High Price Share" in the "Industry Conditions - High Price Participation" section of Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.



Production Expense

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Production expense ($000s)	**$ 67,708**	$ 71,833	**$ 255,278**	$ 207,129
Per unit ($/boe)[(1)]	**15.53**	13.67	**13.93**	10.42

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Production expense for the three months and year ended December 31, 2024 was $15.53/boe and $13.93/boe compared to $13.67/boe and $10.42/boe for the three months and year ended December 31, 2023. Production expense for the third quarter of 2024 was $14.81/boe.

The table below provides a reconciliation of the increase in production expense per boe by main components:

	Q4 2024 vs Q3 2024	**Q4 2024 vs Q4 2023**	**YTD 2024 vs YTD 2023**
Comparative period production expense per boe[(1)]	**$ 14.81**	**$ 13.67**	**$ 10.42**
Power generation	**2.02**	**1.01**	**0.42**
Well workover and facility maintenance	**(0.71)**	**(0.16)**	**1.07**
Colombian pesos ("COP") appreciation (depreciation)	**(0.81)**	**(0.93)**	**0.61**
Fixed cost absorption	**0.74**	**1.78**	**1.23**
Other variable costs	**(0.52)**	**0.16**	**0.18**
Current year production expense per boe[(1)]	**$ 15.53**	**$ 15.53**	**$ 13.93**

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

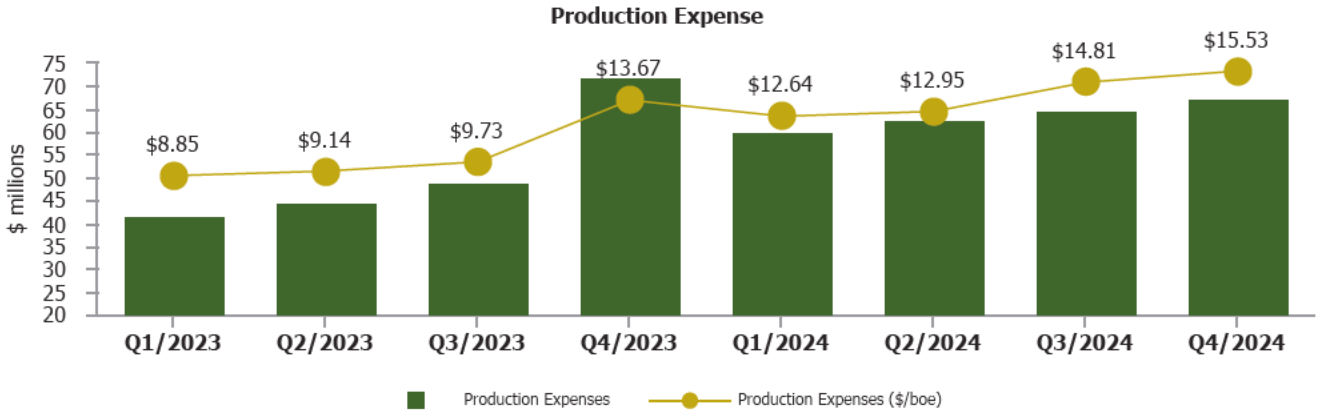
The increase in production expense for the three months ended December 31, 2024 over the 2023 comparative period is mainly the result of higher cost of electrical power that supplies fields with required power to operate and fixed costs in 2024 are being spread over lower production resulting in increased per boe costs. These increases are partially offset by the depreciation of the COP and lower well workover and facility maintenance in Q4 2024 over the 2023 comparative period.

The increase in production expense for the year ended December 31, 2024 over the 2023 comparative period is mainly the result of increased workovers and well/facility maintenance on Blocks LLA-34, LLA-26, and the Capachos and Cabrestero Blocks, fixed costs in 2024 are being spread over lower production resulting in increased per boe costs, increased cost of electrical power that supplies fields with required power to operate and the appreciation of the COP.

Colombia has experienced an El Niño-induced drought that has led to an escalation in power costs across the country during the past year. Colombia is heavily reliant on hydroelectric power. In late April 2024, power costs began to decline and then increased again during the third and fourth quarters of 2024. As noted above power costs have increased by $2.02/boe in Q4 2024 compared to Q3 2024.

Compared to the third quarter of 2024, fourth quarter 2024 production expense per boe has increased due to increased electrical power costs and fixed costs being spread over lower production resulting in increased per boe costs, partially offset by lower workover and facility maintenance and the depreciation of the COP.

Production expense per boe is estimated to be approximately $15-16/boe for 2025 guidance provided on January 14, 2025.



Transportation Expense

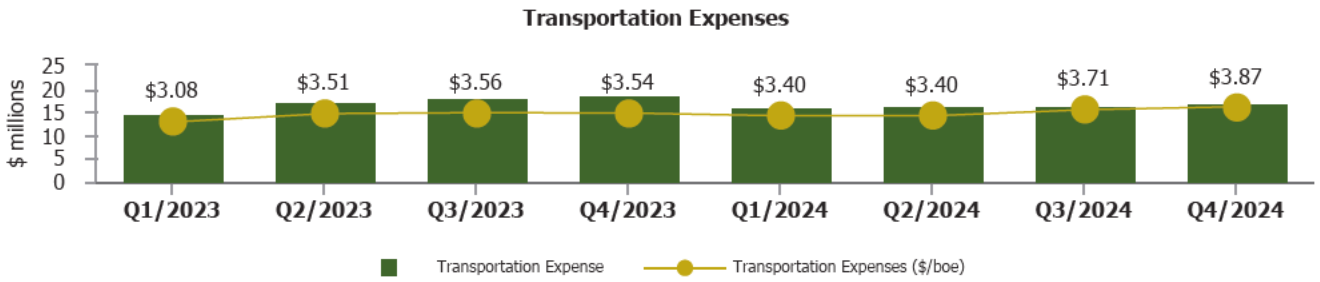
	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Transportation expense ($000s)	**$ 16,877**	$ 18,621	**$ 65,745**	$ 68,306
Per unit ($/boe)[(1)]	**3.87**	3.54	**3.58**	3.43

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Transportation expense includes trucking costs incurred to transport production to several offloading stations for sale and in some instances an oil transportation tariff from delivery point to the buyer's facility and pipeline tariffs.

For the three months ended December 31, 2024, transportation expense was $3.87/boe compared to $3.71/boe for the third quarter of 2024 and increased from $3.54/boe for the comparative period in 2023. On a year-to-date basis transportation expense was $3.58/boe compared to $3.43/boe in the comparative period in 2023. Transportation expense will fluctuate period over period due the mix of sales contracts types in force during the period.

The combined transportation expense and price differential from Brent for the fourth quarter of 2024, on a per boe basis, has decreased from the fourth quarter of 2023 and increased from the third quarter of 2024. See "Crude Oil Reference and Realized Prices".



General and Administrative Expense ("G&A")

($000s)	For the three months ended December 31, 2024	2023	For the year ended December 31, 2024	2023
Gross G&A	**$ 21,650**	$ 19,471	**$ 81,288**	$ 73,155
G&A recoveries	**(879)**	(984)	**(3,796)**	(2,722)
Capitalized G&A	**(2,871)**	(2,831)	**(8,584)**	(9,356)
Net G&A expense	**$ 17,900**	$ 15,656	**$ 68,908**	$ 61,077
Per unit ($/boe) [(1)]	**4.30**	2.97	**3.77**	3.08

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Net G&A was $17.9 million and $68.9 million for the three months and year ended December 31, 2024 compared to $15.7 million and $61.1 million for the same periods in 2023. Gross G&A was $21.7 million and $81.3 million for the three months and year ended December 31, 2024 (three months and year ended December 31, 2023 - $19.5 million and $73.2 million).

On a per boe basis net G&A in 2024 increased by 22% to $3.77 from $3.08 in 2023 mainly as result of increased staffing levels and staff salary increases, primarily in Colombia, as a result of high inflation levels in Colombia during 2023, the appreciation of the COP from comparative periods and lower production resulting in increased per boe costs.

The Company's G&A expense is mainly denominated in local currencies of COP and Canadian dollars ("Cdn") which as they appreciate/ depreciate have an impact on G&A expense. Refer to the "Foreign Exchange Sensitivity Analysis" for further information.

Share-Based Compensation

($000s)	For the three months ended December 31, 2024	2023	For the year ended December 31, 2024	2023
Equity settled share-based compensation expense	**$ 223**	$ 264	**$ 878**	$ 1,043
Cash settled share-based compensation expense	**5,926**	7,410	**584**	29,321
Total share-based compensation expense	**$ 6,149**	$ 7,674	**$ 1,462**	$ 30,364

Share-based compensation expense was $6.1 million and $1.5 million for the three months and year ended December 31, 2024 compared to $7.7 million and $30.4 million for the same periods in 2023.

Equity settled share-based compensation expense was $0.2 million and $0.9 million for the three months and year ended December 31, 2024 compared to $0.3 million and $1.0 million for the same periods in 2023. Equity settled share-based compensation includes the Company's stock option plan. The decrease in the equity settled plan expense from the prior year is mainly related to the decrease in the awards remaining to be amortized under this plan as compared to the prior year.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes cash settled restricted share units ("CRSUs"), cash or share settled restricted share units and performance share units ("CosRSUs" and "CosPSUs"), long duration restricted share units and performance share units ("LDRSUs and "LDPSUs"), and deferred share units ("DSUs"). Cash settled share-based compensation expense for the three months and year ended December 31, 2024 was $5.9 million and $0.6 million compared to $7.4 million and $29.3 million for the same periods in 2023. This decrease in expense is mainly attributable to the decrease in Parex's share price from period end dates. Parex share price decreased to Cdn$14.58 at December 31, 2024 from Cdn$24.95 at December 31, 2023.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as expense over the vesting period based on the fair value of the units as described in note 18 - Cash Settled Incentive Plans of the audited consolidated financial statements. As at December 31, 2024, the total cash settled incentive plans liability accrued was $19.9 million (December 31, 2023 - $38.6 million) of which $9.6 million (December 31, 2023 - $16.3 million) is classified as long-term in accordance with the vesting periods.

Cash payments to settle cash settled share-based compensation in the three months and year ended December 31, 2024 were $0.3 million and $20.6 million compared to $0.7 million and $21.0 million for the same periods in 2023.

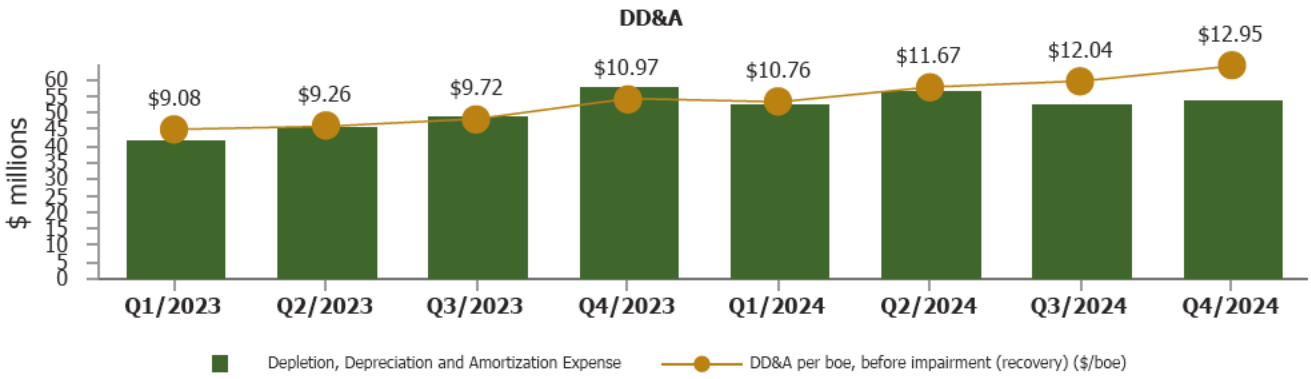
Depletion, Depreciation and Amortization Expense ("DD&A")

	For the three months ended December 31, 2024	2023	For the year ended December 31, 2024	2023
DD&A ($000s) total	**$ 53,984**	$ 57,833	**$ 215,770**	$ 194,229
Per unit ($/boe)[(1)]	**12.95**	10.97	**11.81**	9.79

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Fourth quarter 2024 DD&A was $54.0 million ($12.95/boe) compared to $57.8 million ($10.97/boe) for the same period in 2023. For the year ended December 31, 2024, DD&A was $215.8 million ($11.81/boe) as compared to $194.2 million ($9.79/boe) for the prior year.

For the fourth quarter of 2024, future development costs of $426.7 million (three months ended December 31, 2023 - $409.5 million) were included in the depletion calculation. Fourth quarter 2024 DD&A of $12.95/boe increased from the comparative period of $10.97/boe due to adding to the depletable capital base through capital expenditures made during the period and the transfer of Arauca from exploration and evaluation assets to property, plant and equipment in the second quarter of 2024, along with an increase in the depletion rate over the previous comparative period.



Foreign Exchange

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2024**	2023	**2024**	2023
Foreign exchange (gain) loss	**$ 2,194**	$ (317)	**$ 5,447**	$ 11,595
Foreign currency risk management contracts gain	**—**	—	**—**	(6,109)
Total foreign exchange (gain) loss	**$ 2,194**	$ (317)	**$ 5,447**	$ 5,486
Average foreign exchange rates				
USD$/Cdn$	**1.40**	1.36	**1.37**	1.35
USD$/COP	**4,347**	4,070	**4,071**	4,325

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Cdn and COP, as the Company's functional currency is the U.S. dollar ("USD"). The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies. The main drivers of foreign exchange gains and losses recorded on the consolidated statements of comprehensive income is the COP denominated income tax payable and tax withholdings receivable, accounts payable and accounts receivable. The timing of payment settlements, accruals and their adjustments have impacts on foreign exchange gains/losses.

For the three months and year ended December 31, 2024, a total foreign exchange loss of $2.2 million and $5.4 million was recorded compared to a gain of $0.3 million and a loss of $5.5 million in the respective prior year periods. For the year ended December 31, 2024, the appreciation of the COP resulted in a realized gain of $20.8 million and an offsetting $20.8 million unrealized foreign exchange loss in the second quarter of 2024 on the settlement of the Company's 2023 Colombian income taxes.

In the second quarter of 2023 the Company also recorded a $4.8 million realized gain on a COP/USD collar which settled in the money and is included in the total foreign exchange for the year ended December 31, 2023.

Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive income.

The Company reviews its exposure to foreign currency variations on an ongoing basis and maintains cash deposits primarily in USD and COP denominated deposits in Canada, Switzerland and Colombia.

Foreign Exchange Sensitivity Analysis

Cost component	Estimated percent of cost denominated in local currency	$/boe Impact of change in local currency/ $USD exchange rate: 10% appreciation of local currency	10% depreciation of local currency
Production expense	90%	$ 1.40	$ (1.40)
Transportation expense	50%	$ 0.19	$ (0.19)
G&A expense	100%	$ 0.43	$ (0.43)

The table above displays the estimated per boe impact of a change in Parex's local currencies and the effect on Parex's key cost components. The component impact in $/boe terms uses Q4 2024 per boe costs. This analysis ignores all other factors impacting cost structure including, but not limited to, efficiencies, cost reduction strategies, and cost inflation.

As at December 31, 2024, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Cdn and COP against the USD would have decreased (increased) net income by approximately $3.5 million.

Net Finance Expense

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Bank charges and credit facility fees	**$ 1,124**	$ 378	**$ 3,673**	$ 4,813
Interest on bank debt	**700**	711	**4,174**	711
Accretion on decommissioning and environmental liabilities	**1,848**	2,459	**9,206**	8,701
Interest and other income	**(998)**	(2,067)	**(4,315)**	(14,055)
Right-of-use asset interest	**46**	51	**189**	194
Expected credit loss provision (recovery)	**163**	(464)	**67**	(422)
Other	**437**	(257)	**1,099**	(163)
Net finance expense	**$ 3,320**	$ 811	**$ 14,093**	$ (221)

	For the three months ended December 31,		For the year ended December 31,	
	2024	2023	**2024**	2023
Non-cash finance expense	**$ 2,012**	$ 1,992	**$ 9,273**	$ 8,279
Cash finance expense (income)	**1,308**	(1,181)	**4,820**	(8,500)
Net finance expense	**$ 3,320**	$ 811	**$ 14,093**	$ (221)

Bank charges and credit facility fees relate to bank taxes paid in Colombia and the standby fees related to the Company's credit facility. The non-cash components of net finance expense (income) include the accretion on decommissioning and environmental liabilities and the expected credit loss provision (recovery).

Risk Management

Management of cash flow variability is an integral component of Parex's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the board of directors ("the Board" or "Board of Directors") to establish risk management guidelines to be used by management. The risk exposure inherent in movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements are all proactively reviewed by Parex and as considered appropriate may be managed through the use of derivatives primarily with financial institutions that are members of Parex's syndicated bank credit facility. The Company considers these derivative contracts to be an effective means to manage and forecast cash flow.

Parex has elected not to apply IFRS prescribed "hedge accounting" rules and, accordingly, pursuant to IFRS the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity and foreign exchange forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the earnings for that period. As a result, earnings may fluctuate considerably based on the period-ending commodity and foreign exchange forward strip prices, in respect of any outstanding commodity or foreign exchange derivative contracts.

a) Risk Management Contracts – Brent Crude

As at December 31, 2024, the Company had the following commodity price risk management contracts in place.

Period Hedged	Reference	Volume bbls/d	Sold Put	Purchased Put	Premium
January 1, 2025 to January 31, 2025	ICE Brent	11,250	$60.00	$70.00	$2.05
February 1, 2025 to February 28, 2025	ICE Brent	11,250	$60.00	$70.00	$2.05
March 1, 2025 to March 31, 2025	ICE Brent	11,250	$60.00	$70.00	$2.05

The following is a summary of the commodity price risk management contracts put in place since December 31, 2024:

Period Hedged	Reference	Volume bbls/d	Sold Put	Purchased Put	Premium
April 1, 2025 to April 30, 2025	ICE Brent	11,250	$60.00	$70.00	$1.21

The table below summarizes the loss on the commodity risk management contracts that were in place during the three months and years ended December 31, 2024 and 2023:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2024**	2023	**2024**	2023
Unrealized loss on commodity risk management contracts	**$ 1,160**	$ —	**$ 1,160**	$ —
Total	**$ 1,160**	$ —	**$ 1,160**	$ —

b) Risk Management Contracts – Foreign Exchange

The Company is exposed to foreign currency risk as various portions of its cash balances are held in COP and Cdn while its committed capital expenditures are expected to be primarily denominated in USD.

As at December 31, 2024, the Company had no outstanding foreign currency risk management contracts.

The Company has no foreign currency risk management contracts in place for 2025 and is therefore fully exposed to fluctuations in foreign currencies.

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three months and years ended December 31, 2024 and 2023:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2024**	2023	**2024**	2023
Unrealized gain on foreign currency risk management contracts	**$ —**	$ —	**$ —**	$ (1,278)
Realized gain on foreign currency risk management contracts	**—**	—	**—**	(4,831)
Total	**$ —**	$ —	**$ —**	$ (6,109)

Total Non-Current Financial Liabilities

The following table summarizes the total non-current financial liabilities for the three most recently completed financial years:

	2024	2023	2022
Bank debt	**$ 60,000**	$ 90,000	$ —
Lease obligation	**4,622**	5,736	6,079
Cash settled share-based compensation liabilities	**9,553**	16,284	13,132
Total	**$ 74,175**	$ 112,020	$ 19,211

Income Tax

The components of tax expense (recovery) for the three months and year ended December 31, 2024 and 2023 were as follows:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2024**	2023	**2024**	2023
Current tax expense (recovery)	**$ (5,629)**	$ 8,855	**$ 90,389**	$ 155,683
Deferred tax expense (recovery)	**4,749**	(90,784)	**158,203**	(160,753)
Total tax expense (recovery)	**$ (880)**	$ (81,929)	**$ 248,592**	$ (5,070)
Effective current tax rate on funds flow provided by operations before tax[1]	**(4)%**	4%	**13%**	19%

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Current tax in the fourth quarter of 2024 was a $5.6 million recovery as compared to an $8.9 million expense in the comparative three-month period. For the full year 2024 the Company recorded $90.4 million of current tax expense as compared to $155.7 million in 2023.

The significant decrease in current tax expense from the 2023 comparative periods is the result of lower operating cash flows before tax, along with certain tax strategies that have been deployed over recent years.

For the three months and year ended December 31, 2024, deferred tax was an expense of $4.7 million and $158.2 million (recovery of $90.8 million and $160.8 million for the three months and year ended December 31, 2023). The increase in deferred tax expense from the 2023 comparative periods is mainly a result of the reversal of the temporary differences created between the accounting and tax basis in Colombia, and the appreciation of the Colombian peso.

2025 Current Tax Guidance

The table below reflects the expected effective current tax rate on funds flow provided by operations before tax in 2025:

Brent price assumption	**$65/bbl**	**$70/bbl**	**$75/bbl**	**$80/bbl**	**$85/bbl**
Effect current tax rate on before tax funds flow provided by operations[1]	0-3%	3-6%	8-11%	13-16%	18-21%

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

The calculation of current and deferred income tax in Colombia is based on a number of variables which can cause swings in current and deferred income tax. These variables include but are not limited to the year-end producing reserves used in calculating depletion for tax purposes, the timing and number of dry hole write-offs permissible for Colombian tax purposes and currency fluctuations.

Capital Expenditures

For the year ended December 31,	Colombia		Canada		Total	
($000s)	**2024**	2023	**2024**	2023	**2024**	2023
Acquisition of unproved properties	**$ 2,619**	$ 7,770	**$ —**	$ —	**$ 2,619**	$ 7,770
Geological and geophysical	**9,950**	2,497	**—**	—	**9,950**	2,497
Drilling and completion	**263,629**	396,584	**—**	—	**263,629**	396,584
Well equipment and facilities	**67,239**	74,247	**—**	—	**67,239**	74,247
Other	**438**	429	**3,820**	1,816	**4,258**	2,245
Total capital expenditures[1]	**$ 343,875**	$ 481,527	**$ 3,820**	$ 1,816	**$ 347,695**	$ 483,343

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

For the three months ended December 31,	Colombia		Canada		Total	
($000s)	**2024**	2023	**2024**	2023	**2024**	2023
Acquisition of unproved properties	**$ 941**	$ 722	**$ —**	$ —	**$ 941**	$ 722
Geological and geophysical	**6,819**	780	**—**	—	**6,819**	780
Drilling and completion	**53,056**	47,000	**—**	—	**53,056**	47,000
Well equipment and facilities	**17,502**	41,624	**—**	—	**17,502**	41,624
Other	**438**	371	**3,354**	922	**3,792**	1,293
Total capital expenditures[1]	**$ 78,756**	$ 90,497	**$ 3,354**	$ 922	**$ 82,110**	$ 91,419

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Below is additional information related to capital expenditures in the period by key operating area:

($000s)	For the three months ended December 31, 2024	2023	For the year ended December 31, 2024	2023
Block LLA-34	**$ 15,447**	$ 30,373	**$ 87,821**	$ 118,275
Southern Llanos	**37,990**	13,478	**120,434**	209,513
Northern Llanos	**22,863**	43,904	**119,685**	96,697
Magdalena Basin	**2,456**	2,372	**15,935**	56,613
Corporate	**3,354**	1,292	**3,820**	2,245
Total capital expenditures[(1)]	**$ 82,110**	$ 91,419	**$ 347,695**	$ 483,343

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the year ended December 31, 2024, the Company incurred $347.7 million of capital expenditures with 95% spent on drilling, completion, well equipment and facilities in Colombia. During the year ended December 31, 2023, the Company incurred $483.3 million of capital expenditures with 97% spent on drilling, completion, well equipment and facilities in Colombia.

During the fourth quarter of 2024 the Company incurred capital expenditures of $82.1 million with 86% spent on drilling, completion, well equipment and facilities in Colombia. During the fourth quarter of 2023 the Company incurred capital expenditures of $91.4 million with 97% spent on drilling, completion and well equipment and facilities in Colombia.

During the year ended December 31, 2024, the Company's capital expenditures of $347.7 million were self-funded from funds flow provided by operations of $622.2 million.

Long-Term Inventory

The Company has long-lead material and equipment inventory such as drill casing, natural gas compressors, and other major equipment. With at times strong demand for material and equipment used in oil and gas operations, periodically the Company secures material and equipment ahead of its upcoming capital programs. The Company plans on deploying this long-lead inventory over the coming years.

During 2024, the Company completed an impairment review of its long-term inventory. It was determined that the carrying amount of certain long-term inventory assets was lower than its recoverable amount and an impairment of $10.0 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2024.

Cost	
Balance at December 31, 2022	**$ 165,271**
Additions	114,803
Transfers to E&E and PP&E assets	(75,373)
Balance at December 31, 2023	**$ 204,701**
Additions	55,990
Transfers to E&E and PP&E assets	(40,028)
Transfer to production costs	(5,269)
Sale of inventory	(5,920)
Impairment	(10,000)
Balance at December 31, 2024	**$ 199,474**

The below table represents the long-term inventory expenditures for the three months and years ended December 31, 2024 and 2023:

($000s)	For the three months ended December 31, 2024	2023	For the year ended December 31, 2024	2023
Additions	**$ 8,189**	14,281	**$ 55,990**	$114,803
Transfers to D&P and E&E assets	**(6,941)**	(15,147)	**(40,028)**	(75,373)
Transfer to production costs	**(1,642)**	—	**(5,269)**	—
Sale of inventory	**(2,175)**	—	**(5,920)**	—
Total long-term inventory expenditures, net of transfers and sales	**$ (2,569)**	$ (866)	**$ 4,773**	$ 39,430

Non-Cash Impairment Charges

($000s)	For the three months ended December 31, 2024	2023	For the year ended December 31, 2024	2023
Impairment of E&E assets	**$ 49,424**	$ 25,648	**$ 54,085**	$ 82,858
Impairment of PP&E assets	**78,417**	59,682	**78,417**	59,682
Impairment of long-term inventory	**10,000**	—	**10,000**	—
Total non-cash impairment charges before deferred income tax recoveries	**$ 137,841**	$ 85,330	**$ 142,502**	$ 142,540

2024 Impairments

The Company recorded impairments of exploration and evaluation ("E&E") assets during the three months and year ended December 31, 2024 of $49.4 million and $54.1 million, respectively. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the LLA-122 Block for costs related to an exploration well which indicated technically unfeasible results at an acceptable risk tolerance. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for LLA-122 Block assets. It was determined that the impairment was $54.1 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2024.

At December 31, 2024, Parex tested its cash generating units ("CGUs") for PP&E impairment. The Company determined that the carrying amounts of the Aguas Blancas CGU and the Boranda/Fortuna CGU, both in the Magdalena Basin, exceeded their recoverable amounts and an impairment of $78.4 million was recorded in the consolidated statements of comprehensive income for the three months and year ended December 31, 2024. There are no E&E assets associated with these CGUs.

As at December 31, 2024, the recoverable amount of the Aguas Blancas CGU was estimated to be $20.9 million, and the recoverable amount of the Boranda/Fortuna CGU was estimated to be $3.5 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment. All other CGUs were found to have recoverable amounts greater than carrying amounts. The fair value as determined for the Company's producing properties was consistent with the Company's independent qualified reserve evaluators reserve estimate at December 31, 2024. The recoverable amount was determined using estimated fair value less costs of disposal.

Future cash flows were discounted using an after-tax discount rate of 14% with the following prices being used by Parex's independent reserve evaluator as at December 31, 2024:

	2025	2026	2027	2028	2029	Thereafter
Brent ($US/bbl)	75.25	77.50	80.08	82.69	84.34	2% increase per year
WTI ($US/bbl)	71.25	73.50	76.00	78.53	80.10	2% increase per year

During 2024, the Company completed impairment reviews of its long-term inventory. It was determined that the carrying amount of certain long-term inventory assets was lower than its recoverable amount and an impairment of $10.0 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2024.

2023 Impairments

The Company recorded impairments of E&E assets during the three months and year ended December 31, 2023 of $25.6 million and $82.9 million, respectively. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the VIM-43 and LLA-134 Blocks for costs related to exploration wells which indicated non-economic results, the Company also had plans to relinquish the LLA-134 Block. In addition, impairment includes LLA-81 block costs that were impaired on transfer to property, plant and equipment ("PP&E) as the carrying amount exceeded its recoverable amount. The impairment review compared the carrying value of the assets to the fair value less cost of disposal (level 3 input) to determine the recoverable amount which was determined to be $nil for VIM-43 and LLA-134 Block assets and $12.3 million for LLA-81 Block assets. It was determined that the impairment was $82.9 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2023.

At December 31, 2023, Parex tested its cash generating units ("CGUs") for PP&E impairment. The Company determined that the carrying amount of the Boranda/Fortuna CGU in the Magdalena Basin exceeded its recoverable amount and an impairment of $59.7 million was recorded in the consolidated statements of comprehensive income for the three months and year ended December 31, 2023. There are no E&E assets associated with this CGU.

At December 31, 2023, the recoverable amount of the Boranda/Fortuna CGU was estimated to be $40.9 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment. All other CGUs were found to have recoverable amounts greater than carrying amounts. The fair value as determined for the Company's producing properties was consistent with the Company's independent qualified reserve evaluators reserve estimate at December 31, 2023. The recoverable amount was determined using estimated fair value less costs of disposal.

Future cash flows were discounted using an after tax-rate of 14% with the following prices being used by Parex's independent reserve evaluator as at December 31, 2023:

	2024	2025	2026	2027	2028	Thereafter
Brent ($US/bbl)	77.00	79.50	81.49	82.58	84.19	2% increase per year
WTI ($US/bbl)	72.50	75.00	76.99	78.53	80.10	2% increase per year

For further information regarding the impairment charges for the years ended December 31, 2024 and 2023, refer to note 7 - Exploration and Evaluation Assets, note 8 - Property, Plant and Equipment and note 9 - Long-Term Inventory in the audited consolidated financial statements.

Impairment Test of Goodwill

The Company performed its annual test for goodwill impairment at the balance sheet date in accordance with its policy described in note 3 - Summary of Material Accounting Policies of the audited consolidated financial statements. The Company has allocated goodwill to the Colombia operating segment. The estimated fair value less costs of disposal of the Colombia operating segment exceeded the carrying value. As a result, no goodwill impairment was recorded. For additional information refer to note 12 - Goodwill in the audited consolidated financial statements.

Summary of Quarterly Results (unaudited)

Three months ended ($000s) (except per share amounts)	**Dec. 31, 2024**	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**9,550**	9,064	9,541	7,237
Heavy Crude Oil (bbl/d)	**34,882**	37,777	43,229	45,543
Crude Oil (bbl/d)	**44,432**	46,841	52,770	52,780
Conventional Natural Gas (mcf/d)	**5,190**	4,368	4,788	3,348
Total (boe/d)	**45,297**	47,569	53,568	53,338
Realized sales price - oil ($/bbl)[6]	**64.01**	69.07	75.69	71.02
Financial (000s except per share amounts)				
Oil and natural gas sales	**$ 277,824**	$ 302,033	$ 364,874	$ 335,298
Funds flow provided by operations[5]	**$ 141,201**	$ 151,773	$ 180,952	$ 148,307
Per share – basic[2][4]	**1.43**	1.50	1.77	1.43
Per share – diluted[2][4]	**1.43**	1.50	1.77	1.43
Net income	**$ (69,051)**	$ 65,793	$ 3,845	$ 60,093
Per share – basic[4]	**(0.70)**	0.65	0.04	0.58
Per share – diluted[4]	**(0.70)**	0.65	0.04	0.58
Dividends paid	**26,658**	28,467	28,528	28,531
Per share – Cdn$[4][6]	**0.385**	0.385	0.385	0.375
Capital Expenditures[1]	**$ 82,110**	$ 82,367	$ 97,797	$ 85,421
Long-term inventory expenditures	**$ (2,569)**	$ (6,318)	$ 9,817	$ 3,843
Total assets (end of period)	**$ 2,155,062**	$ 2,290,683	$ 2,324,483	$ 2,355,512
Outstanding shares (end of period) (000s)	**98,339**	100,031	101,616	102,914
Working capital (deficit) surplus (end of period)[3][5]	**$ 59,397**	$ 37,509	$ 34,156	$ 55,901

Three months ended ($000s) (except per share amounts)	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	9,700	8,837	7,982	7,115
Heavy Crude Oil (bbl/d)	46,760	44,779	45,644	43,435
Crude Oil (bbl/d)	56,460	53,616	53,626	50,550
Conventional Natural Gas (mcf/d)	5,214	5,742	2,964	4,692
Total (boe/d)	57,329	54,573	54,120	51,332
Realized sales price - oil ($/bbl)[6]	71.06	76.58	67.36	69.66
Financial (000s except per share amounts)				
Oil and natural gas sales	$ 370,688	$ 383,244	$ 327,541	$ 327,230
Funds flow provided by operations[5]	$ 193,377	$ 157,839	$ 154,842	$ 161,724
Per share – basic[2][4]	1.85	1.49	1.45	1.49
Per share – diluted[2][4]	1.85	1.49	1.45	1.49
Net income (loss)	$ 133,783	$ 119,736	$ 101,415	$ 104,375
Per share – basic[4]	1.28	1.13	0.95	0.96
Per share – diluted[4]	1.28	1.13	0.95	0.96
Dividends paid	29,505	29,239	30,101	29,831
Per share – Cdn$[4][6]	0.375	0.375	0.375	0.375
Capital Expenditures[1]	$ 91,419	$ 156,747	$ 121,309	$ 113,868
Long-term inventory expenditures	$ (866)	$ (374)	$ 20,903	$ 19,767
Total assets (end of period)	$ 2,415,327	$ 2,263,479	$ 2,225,799	$ 2,349,748
Outstanding shares (end of period) (000s)	103,812	105,014	106,194	107,419
Working capital surplus (end of period)[3][5]	$ 79,027	$ (57,511)	$ (2,957)	$ 29,662

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Working capital does not include the undrawn amount available on the credit facility.
(4) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Factors that Caused Variations Quarter Over Quarter

Trends in net income, oil and natural gas sales and funds flow provided by operations are primarily associated with fluctuations in commodity sales from production which reflect changes in production levels and commodity prices, in addition to fluctuations in foreign currency (see "Foreign Exchange" section). Net income is also impacted by changes in non-cash impairment of property, plant and equipment, exploration and evaluation and long term-inventory assets. Changes in income taxes, as discussed in the section "Income Tax", also impact net income for current and deferred taxes, while funds flow provided by operations is impacted by current income taxes. Working capital trends are primarily associated with fluctuations in funds flow provided by operations, capital and long-term inventory expenditures in accordance with the Company's activities, bank debt borrowing or repayment, timing of settlement of receivables and payables and income taxes and the cost associated with share repurchases and dividend payments.

Refer to "Financial and Operating Results" for detailed discussions on variations during the comparative quarters and to Parex's previously issued annual and interim MD&As for further information regarding changes in prior quarters.

Fourth Quarter Results

Consolidated Statements of Comprehensive Income for the three months ended December 31, 2024 and 2023:

($000s) For the three month period ended December 31,		**2024**		2023
Oil and natural gas sales[1]	**$**	**277,824**	$	370,688
Royalties		**(41,094)**		(63,695)
Net revenue		**236,730**		306,993
Other revenue[1]		**2,739**		3,162
Commodity risk management contracts (loss)		**(1,160)**		—
Revenue		**238,309**		310,155
Expenses				
Production		**67,708**		71,833
Transportation		**16,877**		18,621
Purchased oil		**59**		498
General and administrative		**17,900**		15,656
Impairment of property, plant and equipment assets		**78,417**		59,682
Impairment of exploration and evaluation assets		**49,424**		25,648
Impairment of long-term inventory		**10,000**		—
Equity settled share-based compensation expense		**223**		264
Cash settled share-based compensation expense		**5,926**		7,410
Depletion, depreciation and amortization		**53,984**		57,833
Other expenses[1]		**2,208**		362
Foreign exchange loss (gain)		**2,194**		(317)
		304,920		257,490
Finance (income)[1]		**(998)**		(2,067)
Finance expense[1]		**4,318**		2,878
Net finance expense		**3,320**		811
(Loss) income before income taxes		**(69,931)**		51,854
Income tax (recovery) expense				
Current tax (recovery) expense		**(5,629)**		8,855
Deferred tax expense (recovery)		**4,749**		(90,784)
		(880)		(81,929)
Net (loss) income and comprehensive (loss) income for the period	**$**	**(69,051)**	$	133,783

[1] Certain comparative figures have been reclassified to conform with the current period's presentation as described in Note - 2 Basis of Preparation, Significant Accounting Estimates and Judgements in the audited consolidated financial statements and Material Accounting Policies in this MD&A.

Liquidity and Capital Resources

The Company remains committed to delivering returns to shareholders, while also investing in its assets to provide a total shareholder return. Typically, the Company relies on funds flow provided by operations and its credit facility to meet capital requirements, dividend payments, share repurchases and maintain liquidity. After evaluating its current liquidity, working capital position, projected working capital needs, operational results, and financial forecasts, the Company anticipates that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities. While the Company deems this outlook reasonable, available cash and cash equivalents are subject to variations and risk associated with ordinary operations, and it cannot guarantee that all or part of its liquidity objective will be met, that sufficient internal funds will be generated, or that external financing will be available if needed.

The Company can adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure, share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure currently to include shareholders' equity, the credit facility and its working capital. As at December 31, 2024, shareholders' equity was $1,831.3 million (December 31, 2023 - $1,955.4 million).

As at December 31, 2024, the Company had working capital surplus of $59.4 million[(1)] as compared to working capital surplus of $79.0 million[(1)] at December 31, 2023. The decrease in working capital is primarily a result of increased downtime in the LLA-34 and Cabrestero Blocks and the suspension of operations in the Northern Llanos basin during the first quarter of 2024 and the $30.0 million repayment of bank debt borrowings.

As at December 31, 2024, Parex held $98.0 million of unrestricted cash compared to $140.4 million at December 31, 2023 and $147.5 million at September 30, 2024. The Company's cash balances reside primarily in current accounts with chartered financial institutions, the majority of which are held on account in Canada, Switzerland and Colombia in USD.

Parex's senior secured credit facility is with a syndicate of three Canadian banks has a current borrowing base of $240.0 million (December 31, 2023 - $200.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2024, $60.0 million (December 31, 2023 - $90.0 million) was drawn on the credit facility. The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2026. The next annual review is scheduled to occur in May 2025. The next re-determination of the credit facility is not expected to impact the Company's current or future operations, reduce the 2025 outlook or change the Company's guidance. Parex expects to draw on the credit facility at various times to manage timing differences associated with timing of vendor payments and oil sales collections. Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1. The Company is in compliance with all covenants.

Refer to note 26 - Commitments and Contingencies of the audited consolidated financial statements for a description of the performance guarantees as well as the unsecured letters of credit.

(1) Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at December 31, 2024, the Company had 98,339,036 common shares outstanding compared to 103,811,718 at December 31, 2023, a decrease of 5%. At March 4, 2025, the common shares outstanding has been reduced to 97,994,136 due to the Company's NCIB.

The Company has a stock option plan that provides for the issuance of stock options to acquire common shares to the Company's officers, executives and certain employees resulting in common shares issued from treasury.

As at March 4, 2025, Parex had the following securities outstanding:

	Number	%
Common shares	97,994,136	99
Stock options	758,235	1
	98,752,371	100

As of the date of this MD&A, total stock options outstanding represent approximately 1% of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

In the normal course of business, Parex has entered into arrangements and incurred obligations that will affect the Company's future operations and liquidity. These commitments primarily relate to joint venture farm-in arrangements, business collaboration agreements and exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company's exploration commitments are described in the Company's AIF under "Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity.

In Colombia, the Company has provided guarantees to the ANH and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $160.7 million as at December 31, 2024 (December 31, 2023 - $141.0 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

At December 31, 2024, the total lease obligation was $5.2 million (December 31, 2023 - $6.5 million) of which $4.6 million (December 31, 2023 - $5.7 million) is classified as long-term in accordance with the lease term.

The following table summarizes the Company's estimated undiscounted commitments as at December 31, 2024:

($000s)	**Total**	**<1 year**	**1 – 3 years**	**3 – 5 years**	**>5 years**
Exploration	$ 786,275	$ 63,651	$ 155,130	$ 200,865	$ 366,629
Office and accommodations[(1)]	7,518	2,885	2,687	1,557	389
Decommissioning and Environmental Obligations	241,396	14,655	—	—	226,741
Total	**$ 1,035,189**	**$ 81,191**	**$ 157,817**	**$ 202,422**	**$ 593,759**

(1) Includes minimum lease payment obligations associated with leases for office space and accommodations.

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2022	**$ 38,818**	**$ 14,474**	**$ 53,292**
Additions	9,676	1,379	11,055
Settlements of obligations during the year	(3,110)	(3,695)	(6,805)
Loss on settlement of obligations	199	—	199
Accretion expense	6,098	2,603	8,701
Change in estimate - inflation and discount rates	17,592	2,316	19,908
Change in estimate - costs	(1,331)	2,382	1,051
Foreign exchange loss	3,581	4,750	8,331
Balance, December 31, 2023	**$ 71,523**	**$ 24,209**	**$ 95,732**
Additions	5,398	332	5,730
Settlements of obligations during the year	(7,038)	(3,235)	(10,273)
Loss on settlement of obligations	1,593	—	1,593
Accretion expense	6,853	2,353	9,206
Change in estimate - inflation and discount rates	(9,400)	(3,205)	(12,605)
Change in estimate - costs	1,725	(8,342)	(6,617)
Foreign exchange (gain)	(2,185)	(2,906)	(5,091)
Balance, December 31, 2024	**68,469**	**9,206**	**77,675**
Current obligation	(11,709)	(2,946)	(14,655)
Long-term obligation	**$ 56,760**	**$ 6,260**	**$ 63,020**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at December 31, 2024, with the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $216.8 million as at December 31, 2024 (December 31, 2023 - $201.4 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 11.2% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 - 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2024 and 2023 are based on forecast Colombia rates.

Included in the decommissioning liability is $11.7 million (December 31, 2023 - $3.0 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $24.6 million as at December 31, 2024 (December 31, 2023 - $33.4 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 11.2% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2023 - 9.4% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2024 and 2023 are based on forecast Colombia rates.

Included in the environmental liability is $2.9 million (December 31, 2023 - $3.0 million) that is classified as a current obligation.

Decommissioning and environmental liabilities are considered critical accounting estimates. There are significant uncertainties related to decommissioning and environmental expenditures and the impact on the financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. The main factors that can cause expected estimated cash flows in respect of decommissioning and environmental liabilities to change are:

- changes in laws, legislation and regulations;
- construction of new facilities;
- change in commodity price;
- change in the estimate of oil reserves and the resulting amendment to the life of reserves;
- changes in technology; and
- execution of decommissioning and environmental liabilities.

Subsequent Event

On January 22, 2025, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 8,621,348 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The NCIB will terminate on January 21, 2026. The Company also entered into an automatic share purchase plan with a broker to facilitate repurchases of Common Shares pursuant to the Company's NCIB. Under the Company's automatic share purchase plan, the Company's broker may repurchase Common Shares under the NCIB during the Company's self-imposed blackout periods. As at February 28, 2025, the Company has repurchased approximately 0.3 million shares at an average price of Cdn$14.30 per share, for total consideration of Cdn$3.9 million under the current normal course issuer bid.

Advisory on Forward-Looking Statements

Certain information regarding Parex set forth in this MD&A, including assessments by the Company's management of the Company's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex. In particular, forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to:

- the Company's operational strategy, plans, priorities and focus;
- Parex's expectation to provide a significant return of capital through dividends, including its regular quarterly dividend, and share repurchases, while investing in the Company's assets to provide an appealing total shareholder return;
- Parex's expectations as to debt levels, commodity risk management and other hedging activities;
- Parex's 2025 guidance, including its anticipated funds flow provided by operations netback, capital expenditures; funds flow provided by operations, free funds flow and annual average production;
- Parex's expectation that crude oil inventory in future periods will be in line with normal historic levels;
- Parex's anticipated 2025 production expense per boe;
- Parex's expectations that its transportation expense will fluctuate period over period due to the mix of sales contracts types in force during the period;
- that Parex will review its exposure to foreign currency variations on an ongoing basis;
- Parex's foreign exchange sensitivity analysis;
- Parex's plans to relinquish certain blocks;
- the terms of the Company's credit facility including the timing of the next annual review and borrowing base redetermination;
- the Company's plan to draw on the credit facility through 2025 to manage timing differences associated with timing of vendor payments and oil sales collections;
- the Company's expectation that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities;
- Parex's estimated undiscounted commitments, including exploration, office and accommodations and, decommissioning and environmental obligations, and the anticipated timing thereof;
- the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the fluctuation of earnings based on strip prices;
- the Company's estimated effective tax rate for 2025;
- Parex's plans of deploying its long-lead material inventory over the coming years;
- anticipated Brent and WTI prices;
- terms of certain of Parex's contractual obligations;
- Parex's plan to monitor and disclose key metrics surrounding the environmental impacts of its operations; and
- the statements set forth under "Accounting Policies and Estimates" in this MD&A.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; determination by Organization of Petroleum Exporting Countries ("OPEC") and other country as to production levels; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; continued volatility and fluctuations in market prices for oil; the impact of significant declines in market prices for oil; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve, resource and revenue estimates; incorrect forecasts of the production and growth potential of Parex's assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities may not be consistent with its expectations; failure to meet expected production targets; the risk that Parex may not have sufficient financial resources in the future to pay a divided or repurchase shares under its NCIB; the risk that the Board may not declare dividends in the future and that there may not be base dividend growth or that Parex's dividend policy changes; the risk that Parex's risk management strategy may not be an effective means of managing and forecasting cash flow; the risk that Parex's capital expenditures, growth in production and production per share may be different than anticipated; the risk that the Company's capital and operating expenditures relating to the protection of the environment may be greater than anticipated; the risk that the Company's financial and operating results including, its 2025 guidance, may not be consistent with its expectations; the risk that the Company's environmental strategies may not be successful and that the Company may not remain in material compliance with environmental protection legislation; the risk that Parex may not deploy its long-lead inventory when anticipated; the risk that Parex may not be successful in attracting and retaining qualified successors to its Chief Executive Officer and other senior officers in the event of departure; the risk that the Company's inventory deployment in 2025 may be more or less than anticipated; the risks discussed under "Risk Factors" and under "Decommissioning and Environmental Liabilities" in this MD&A; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; access to areas of the Company's operations and infrastructure in light of the impact of community unrest on the Company's operations; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies and environmental legislation on the Company's operations; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; the anticipated benefits from the voluntary corporate restructuring; royalty rates; future operating costs; foreign exchange rates; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources in the future to pay a dividend; that the Board will declare dividends in the future; that Parex will have sufficient financial resources to repurchase shares under its NCIB; that strip prices will remain unchanged; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

Forward-looking statements and other information contained in this MD&A concerning the oil and natural gas industry in the countries in which it operates and the Company's general expectations concerning this industry are based on estimates prepared by Management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management has included forward looking information, and the above summary of assumptions and risks related to forward-looking information in this MD&A in order to provide shareholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive there from. These forward-looking statements are made as of the date of this MD&A and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: Parex's 2025 guidance, including its anticipated funds flow provided by operations netback, capital expenditures, funds flow provided by operations, and free funds flow; Parex's anticipated Company's 2025 production expense per boe; Parex's expectations that its transportation expense will fluctuate period over period due to the mix of sales contracts types in force during the period; Parex's foreign exchange sensitivity analysis; Parex's estimated undiscounted commitments, including exploration, office and accommodations and decommissioning and environmental obligations; and the anticipated timing thereof; the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement; and the Company's estimated effective tax rate for 2025; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

Distribution Advisory

The Company's future shareholder distributions, including but not limited to the payment of dividends and the acquisition by the Company of its shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to pay further dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) or acquire shares of the Company will be subject to the discretion of the Board of Directors of Parex and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay dividends or repurchase any shares of the Company in the future.

Oil & Gas Matters Advisory

This MD&A contains a number of oil and gas metrics, including operating netbacks and FFO netbacks. These oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this MD&A, should not be relied upon for investment or other purposes.

The term "Boe" means a barrel of oil equivalent on the basis of 6 thousand cubic feet ("Mcf") of natural gas to 1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

Non-GAAP and Other Financial Measures Advisory

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this MD&A.

Non-GAAP Financial Measures

Capital expenditures, *is a non-GAAP financial measure which the Company uses to describe its capital costs associated with oil and gas expenditures. The measure considers both property, plant and equipment expenditures and exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period and is calculated as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2024**	2023	**2024**	2023	2022
Property, plant and equipment expenditures	**$ 62,799**	$ 50,753	**$ 221,250**	$ 310,933	$ 389,979
Exploration and evaluation expenditures	**19,311**	40,666	**126,445**	172,410	122,273
Capital expenditures	**$ 82,110**	$ 91,419	**$ 347,695**	$ 483,343	$ 512,252

	For the three months ended					
($000s)	September 2024	June 2024	March 2024	September 2023	June 2023	March 2023
Property, plant and equipment expenditures	$ 68,406	$ 49,214	$ 40,831	$ 93,957	$ 82,999	$ 83,224
Exploration and evaluation expenditures	13,961	48,583	44,590	62,790	38,310	30,644
Capital expenditures	$ 82,367	$ 97,797	$ 85,421	$ 156,747	$ 121,309	$ 113,868

Free funds flow, *is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow to be a key measure as it demonstrates Parex's ability to fund returns of capital, such as the NCIB or dividends, without accessing outside funds and is calculated as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2024**	2023	**2024**	2023	2022
Cash provided by operating activities	**$ 67,847**	$ 194,242	**$ 569,915**	$ 376,471	$ 983,602
Net change in non-cash assets and liabilities	**73,354**	(865)	**52,318**	291,311	(258,712)
Funds flow provided by operations	**141,201**	193,377	**622,233**	667,782	724,890
Capital expenditures	**82,110**	91,419	**347,695**	483,343	512,252
Free funds flow	**$ 59,091**	$ 101,958	**$ 274,538**	$ 184,439	$ 212,638

EBITDA, *is a non-GAAP financial measure that is defined as net income (loss) adjusted for finance income and expense, other expenses, income tax expense (recovery) and depletion, depreciation and amortization.*

Adjusted EBITDA, *is a non-GAAP financial measure defined as EBITDA adjusted for non-cash impairment charges, share-based compensation expense (recovery), unrealized foreign exchange gains (losses) and unrealized gains (losses) on risk management contracts.*

The Company considers EBITDA and Adjusted EBITDA to be key measures as they demonstrate Parex's profitability before finance income and expenses, taxes, depletion, depreciation and amortization and other non-cash items. A reconciliation from net income to EBITDA and Adjusted EBITDA is as follows:

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2024**	2023	**2024**	2023	2022
Net income (loss)	**$ (69,051)**	$ 133,783	**$ 60,680**	$ 459,309	$ 611,368
Adjustments to reconcile net income (loss) to EBITDA:					
Finance income	**(998)**	(2,067)	**(4,315)**	(14,055)	(9,015)
Finance expense	**4,318**	2,878	**18,408**	13,834	8,393
Other expenses	**2,208**	362	**6,227**	2,582	1,315
Income tax expense (recovery)	**(880)**	(81,929)	**248,592**	(5,070)	191,798
Depletion, depreciation and amortization	**53,984**	57,833	**215,770**	194,229	149,351
EBITDA	**$ (10,419)**	$ 110,860	**$ 545,362**	$ 650,829	$ 953,210
Non-cash impairment charges	**137,841**	85,330	**142,502**	142,540	103,394
Share-based compensation expense	**6,149**	7,674	**1,462**	30,364	19,128
Unrealized foreign exchange loss (gain)	**2,581**	(2,312)	**29,603**	(6,453)	(9,692)
Unrealized loss on risk management contracts	**1,160**	—	**1,160**	—	—
Adjusted EBITDA	**$ 137,312**	$ 201,552	**$ 720,089**	$ 817,280	$ 1,066,040

Operating netback, *is a non-GAAP financial measure that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales from production less royalties, operating, and transportation expense. Refer to "Financial and Operational Results – Consolidated Results of Operations" for the calculation of operating netback.*

Non-GAAP Ratios

Operating netback per boe, *is a non-GAAP ratio that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback per boe as operating netback divided by the total equivalent sales volume including purchased oil volumes for oil and natural gas sales price and transportation expense per boe and by the total equivalent sales volume excluding purchased oil volumes for royalties and operating expense per boe.*

Funds flow provided by operations netback per boe*, is a non-GAAP ratio that includes all cash generated from operating activities and is calculated before changes in non-cash assets and liabilities, divided by produced oil and natural gas sales volumes. The Company considers funds flow provided by operations netback per boe to be a key measure as it demonstrates Parex's profitability after all cash costs relative to current commodity prices.*

Basic and diluted funds flow provided by operations per share or FFO per share, *is a non-GAAP ratio that is calculated by dividing funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted funds flow provided by operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The Company considers basic and diluted funds flow provided by operations per share or FFO per share to be a key measure as it demonstrates Parex's profitability after all cash costs relative to the weighted average number of basic and diluted shares outstanding.*

Capital Management Measures

Funds flow provided by operations, *is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash assets and liabilities. The Company considers funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after all cash costs. A reconciliation from cash provided by (used in) operating activities to funds flow provided by operations is as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2024**	2023	**2024**	2023	2022
Cash provided by operating activities	**$ 67,847**	$ 194,242	**$ 569,915**	$ 376,471	$ 983,602
Net change in non-cash assets and liabilities	**73,354**	(865)	**52,318**	291,311	(258,712)
Funds flow provided by operations	**$ 141,201**	$ 193,377	**$ 622,233**	$ 667,782	$ 724,890

	For the three months ended					
($000s)	September 2024	June 2024	March 2024	September 2023	June 2023	March 2023
Cash provided by (used in) operating activities	$ 181,874	$ 222,782	$ 97,412	$ 87,568	$ (36,612)	$ 131,273
Net change in non-cash assets and liabilities	(30,101)	(41,830)	50,895	70,271	191,454	30,451
Funds flow provided by operations	$ 151,773	$ 180,952	$ 148,307	$ 157,839	$ 154,842	$ 161,724

Working capital surplus (deficit), *is a capital management measure which the Company uses to describe its liquidity position and its ability to meet its short-term liabilities. Working capital surplus (deficit) is defined as current assets less current liabilities:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2024**	2023	**2024**	2023	2022
Current assets	**$ 245,943**	$ 337,175	**$ 245,943**	$ 337,175	$ 593,602
Current liabilities	**186,546**	258,148	**186,546**	258,148	508,614
Working capital surplus	**$ 59,397**	$ 79,027	**$ 59,397**	$ 79,027	$ 84,988

	For the three months ended					
($000s)	September 2024	June 2024	March 2024	September 2023	June 2023	March 2023
Current assets	$ 248,208	$ 281,846	$ 276,113	$ 240,559	$ 322,146	$ 528,744
Current liabilities	210,699	247,690	220,212	298,070	325,103	499,082
Working capital surplus (deficit)	$ 37,509	$ 34,156	$ 55,901	$ (57,511)	$ (2,957)	$ 29,662

Supplementary Financial Measures

"DD&A expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"Dividends paid per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"Effective current tax rate as a per cent of funds flow provided by operations before tax" is comprised of current income tax expense, as determined in accordance with IFRS, divided by funds flow provided by operations before tax.

"G&A expense per boe" is comprised of net G&A expense after recoveries and capitalization, as determined in accordance with IFRS, divided by the Company's total production.

"Net revenue per boe" is comprised of net revenue, as determined in accordance with IFRS, divided by the total equivalent sales volume and includes purchased oil volumes.

"Oil and natural gas sales price per boe" is comprised of total commodity sales from oil and natural gas production, as determined in accordance with IFRS, divided by the Company's total oil and natural gas sales volumes including purchased oil volumes.

"Price differential and transportation expense per bbl" is comprised of realized oil sales price per bbl, as defined herein, less Brent crude price to calculate the price differential, plus transportation expense per bbl as defined herein.

"Production expense per boe" is comprised of production expense, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased oil volumes.

"Realized oil sales price per bbl" is comprised of total oil sales, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased oil volumes.

"Realized natural gas price per Mcf" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas sales volumes.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased oil volumes.

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales from production, excluding purchased oil volumes, as determined in accordance with IFRS.

"Transportation expense per bbl" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased oil volumes.

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent sales volumes including purchased oil volumes.

Environmental Initiatives Impacting Parex

In Colombia there is currently a nascent regulation that obliges companies to specifically monitor and report greenhouse gas ("GHG") emissions. Although at the present time there is no enforceable regulation related to climate change or GHG emissions in Colombia, Parex has a plan in place to monitor and disclose key metrics surrounding the environmental impacts of Parex's operations. Climate change regulation has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Colombia. Such regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impact of climate change and environmental laws and regulations on Parex, as Parex is unable to predict additional legislation or amendments that the Colombian government may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

As of December 31, 2022, Colombia has ratified the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (the "Escazu Agreement"). The Company cannot predict with any certainty at this time the impacts to the Company that implementation of the Escazu Agreement may entail, as no details are yet available regarding the ways in which implementation will be carried out for the countries that have ratified it. However, it is anticipated that the Escazu Agreement will increase the participation of communities and the demand for access to information, which could affect the processes for obtaining environmental licenses, permits and authorizations applicable to the Company, may result in the incurrence of additional unanticipated costs, and could create friction with the communities, among other risks.

Business Environment and Risks

Parex is exposed to a number of risks through the pursuit of its strategic objectives including but not limited to operational, financial, competitive, political and environmental risks. Some of these risks impact the oil and gas industry as a whole and others are unique to the Company's operations. As a participant in the oil and natural gas industry, Parex is exposed to risks such as unsuccessful exploration and exploitation activities, the inability to find new reserves that are commercially and economically feasible, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, stock market volatility, debt service which may limit timing or amount of dividends as well as market price of shares, financial and liquidity risks and environmental and safety risks.

The Company works to mitigate these risks by hiring or contracting highly skilled professionals who have demonstrated the ability to generate high quality proprietary geological and geophysical prospects. Parex has retained independent petroleum consultants that assist the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, production forecasts and future development costs. Such estimates will vary from actual results and such variations may be material.

The Company mitigates its risk related to producing hydrocarbons through the utilization of current technology and information systems. In addition, Parex operates the majority of its properties and, therefore, has significant control over the timing, direction and costs related to exploration commitments and development opportunities. When the Company does not operate, it relies on its joint venture partners to maintain operational control.

Parex is exposed to market risk to the extent that the demand for oil and gas produced by the Company exists. External factors beyond the Company's control may affect the marketability of oil and gas produced. These factors include commodity prices and variations in foreign currency exchange rates which, in turn, respond to economic and political circumstances throughout the world. Oil and natural gas prices are affected by worldwide supply and demand fundamentals. Parex uses derivative contracts to mitigate its exposure to the potential adverse impacts of commodity price and foreign exchange volatility.

Exploration and production for oil and gas is capital intensive. In addition to funds flow, Parex utilizes bank financing to support ongoing capital investments which exposes the Company to fluctuations in interest rates on its bank debt. Funds flow also fluctuates with changing commodity prices. Equity and debt capital are subject to market conditions, and availability and cost may increase or decrease from time to time.

The impact of any risk or a combination of risks may adversely affect, among other things, Parex's business, reputation, financial condition, results of operations and cash flows, which may reduce or restrict its ability to pursue its strategic priorities, respond to changes in the operating environment, and fulfill commitments and obligations, and may materially affect the market price of the Company's securities.

Additional information regarding risk factors can be found in the "*Risk Factors*" section in the Annual Information Form ("AIF"), which sections are incorporated by reference into this MD&A. The AIF is available on the Company's SEDAR+ profile at www.sedarplus.ca.

Internal Controls over Financial Reporting

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation authorities is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Parex evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded Parex DC&P were effective as at December 31, 2024.

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Parex;
2) Are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of Parex are being made in accordance with authorizations of management and Directors of Parex; and
3) Are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial reports.

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining ICFR for Parex. They have, as at the financial year ended December 31, 2024, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Parex officers used to design the Company's ICFR is the 2013 Internal Control - Integrated Framework ("COSO Framework") published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Parex conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2024 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2024, Parex maintained effective ICFR. It should be noted that while Parex officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

There were no changes in Parex's ICFR during the year ended December 31, 2024 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the twelve months ended December 31, 2024 other than normal course guarantees entered into in the form of letters of credit to support the exploration work commitments on its blocks. For further information refer to "Contractual Obligations, Commitments and Guarantees" section above and note 26 - Commitments and Contingencies in the audited consolidated financial statements.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity.

Related Party Transactions

Compensation of Key Management Personnel

Key management personnel compensation, including directors, is as follows:

		2024		2023
Salaries, directors' fees and other benefits	**$**	**4,356**	$	5,448
Equity settled share-based compensation		**478**		637
Cash settled share-based compensation		**5,846**		5,841
	$	**10,680**	$	11,926

Other Related Party Transactions

The Company did not have any related party transactions with entities outside the consolidated group for the years ended December 31, 2024 and 2023.

Material Accounting Policies

Refer to note 3 - Summary of Material Accounting Policies of the audited consolidated financial statements for a summary of significant accounting policies applied by the Company.

Change in presentation

Prior period revenue and expense items have been reclassified to conform to the current period's presentation.

Pipeline transportation revenue, that was previously included in Oil and natural gas sales, has been included in Other revenue:

Consolidated Statements of Comprehensive Income (unaudited)	For the three months ended December 31, 2023	For the year ended December 31, 2023
Oil and natural gas sales, as previously presented	$ 373,643	$ 1,414,552
Reclassification to Other revenue	(2,955)	(5,849)
Oil and natural gas sales, as currently presented	**$ 370,688**	**$ 1,408,703**

Revenues related to the energy generation and use of infrastructure, that were previously included in Finance income, have been included in Other revenue:

Consolidated Statements of Comprehensive Income (unaudited)	For the three months ended December 31, 2023	For the year ended December 31, 2023
Finance income, as previously presented	$ 2,274	$ 14,520
Reclassification to Other revenue	(207)	(465)
Finance income, as currently presented	**$ 2,067**	**$ 14,055**

Loss (gain) on settlement of provisions, loss (gain) on disposition of tangible assets, and other municipal taxes, that were previously included in Finance expense, have been included in Other expenses:

Consolidated Statements of Comprehensive Income (unaudited)	For the three months ended December 31, 2023	For the year ended December 31, 2023
Finance expense, as previously presented	$ 3,240	$ 16,416
Reclassification to Other expenses	(362)	(2,582)
Finance expense, as currently presented	**$ 2,878**	**$ 13,834**

Significant Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make significant judgments, assumptions and estimates that affect the financial results of the Company. The following discussion outlines the accounting policies and practices involving the use of estimates that the Company believes are critical in determining Parex's financial results.

Oil and natural gas reserves

The Company retains qualified independent reserves evaluators to evaluate the Company's proved and probable oil and natural gas reserves. As at December 31, 2024, and in prior periods, Parex's reserves were evaluated by GLJ Ltd., who are a firm of qualified independent reserves evaluators. The evaluation was conducted in accordance with the COGE handbook and NI 51-101. The Operations and Reserves Committee of the Company's Board of Directors is comprised of independent directors whose mandate is to steward the reserves evaluation process.

The estimation of reserves involves the exercise of judgment. Forecasts are based on engineering data, expected rates of production and the timing of future capital expenditures, all of which are subject to major uncertainties and interpretations. The Company expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net income, as they are a key component in the calculation of DD&A and for determining potential asset impairment. A downward revision in reserves estimates or an increase in estimated future development costs could result in the recognition of a higher DD&A charge to net income.

Oil and natural gas assets (development and producing costs) are aggregated into CGUs based on their ability to generate largely independent cash flows. If the carrying value of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net income. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell may be determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of impairments charged to net income.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net income.

Decommissioning and Environmental Liabilities

The Company is required to recognize a liability for future dismantling, decommissioning, environmental, abandoning and site disturbance remediation costs associated with the Company's oil and natural gas properties in accordance with existing laws, contracts or other policies. The fair value of the estimated decommissioning and environmental liability is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related long-lived asset, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to net income, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Decommissioning and environmental liabilities are determined by using management's best estimate of costs, taking into account the anticipated method and extent of restoration consistent with legal requirements, technological advances, industry practices and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the Company's total decommissioning and environmental liability. These individual assumptions can be subject to change based on experience. Restoration technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations. The Company estimates future decommissioning and environmental costs based on current estimates adjusted for inflation. This estimate for inflation is also subject to management uncertainty.

Current and Deferred Tax

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in income tax rates on deferred tax liabilities and assets is recognized in net income in the period that the change occurs. Deferred tax assets are only recognized to the extent that it is probable that sufficient future taxable income will be available in the applicable jurisdiction to allow the deferred tax assets to be realized.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations from multiple jurisdictions. Rates are also affected by legislative changes. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded in the financial statements. Estimates of current income tax for interim periods are also subject to additional uncertainty. A variety of factors cannot be known until year-end and, therefore, estimates are used for interim period current tax provisions.

Share-Based Compensation

The Company records share-based compensation expense using the fair value method. The fair value of an option is calculated at the grant date and expensed equally over the vesting term of the option. The Company records the cumulative stock option based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised option. Any consideration received on the exercise of stock options is credited to share capital. The determination of share-based compensation expense is based on assumptions regarding stock volatility, risk-free interest rates and the expected life of the options. These assumptions, by their nature, are subject to measurement uncertainty.

The fair value of CosRSUs, CosPSUs, LDRSUs and LDPSUs is calculated using the market price of Parex shares on the date of issuance, and expensed over the vesting period of the CosRSUs, CosPSUs, LDRSUs and LDPSUs. In accordance with the fair value method, increases or decreases in the fair value of the CosRSUs, CosPSUs, LDRSUs and LDPSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

CosPSUs and LDPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to CosPSUs and LDPSUs eligible to vest at the end of the performance period. The expense recognized over the vesting period of the CosPSUs and LDPSUs is the fair value of the CosPSUs and LDPSUs with an estimated adjustment factor.

The fair value of CRSUs is calculated using the market price of Parex shares on the date of issuance and expensed over the vesting period of the CRSUs. In accordance with the fair value method, increases or decreases in the fair value of the CRSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

The fair value of a DSU is calculated using the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the date of issuance and expensed immediately. In accordance with the fair value method, increases or decreases in the fair value of the DSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired and is assessed for impairment at December 31 of each year. To test for impairment, goodwill is allocated to each of the Company's CGUs, or groups of CGUs, that are expected to benefit from the acquisition and is tested as described in the Company's impairment policy. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of a goodwill impairment charge to net earnings.

These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves and discount rates as well as future development and operating costs. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGUs.

Derivative liabilities

Risk management contracts are initially recognized at fair value on the date a derivative contract is entered into and are remeasured at their fair value at each subsequent reporting date. The fair value of the risk management contract on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair value is based on quoted market price where available from active markets, otherwise fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions.

Legal, Environmental Remediation and other Contingent Matters

In respect of these matters, the Company is required to determine both whether a loss is probable based on judgment and interpretation of laws and regulations and if such a loss can reasonably be estimated. When any such loss is determined, it is charged to net income. Management continually monitors known and potential contingent matters and makes appropriate provisions by charges to net income when warranted by circumstances.

DIRECTORS

Wayne Foo
Chairman of the Board

Robert Engbloom

Lynn Azar

Lisa Colnett

Sigmund Cornelius

G.R. (Bob) MacDougall

Glenn McNamara
Lead Director

Imad Mohsen

Carmen Sylvain

OFFICERS & SENIOR EXECUTIVES

Imad Mohsen
President & Chief Executive Officer

Daniel Ferreiro
President & Country Manager, Parex Resources Colombia

Cameron Grainger
Chief Financial Officer

Eric Furlan
Chief Operating Officer

Mike Kruchten
Sr. Vice President, Capital Markets & Corporate Planning

Joshua Share
Sr. Vice President, Corporate Services

Katie Bernard
Vice President, New Ventures

CORPORATE HEADQUARTERS

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2700, Eighth Avenue Place, West Tower
585 8 Avenue S.W.,
Calgary, Alberta, Canada T2P 1G1

Tel: 403-265-4800
Fax: 403-265-8216

OPERATING OFFICES

Parex Resources Colombia Ltd. Sucursal
Calle 113 No. 7-21, Of. 611,
Edificio Teleport, Torre A,
Bogotá, Colombia

Tel: 571-629-1716
Fax: 571-629-1786

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

RESERVES EVALUATORS

GLJ Ltd.
Calgary, Alberta

INVESTOR RELATIONS

Mike Kruchten
Sr. Vice President, Capital Markets & Corporate Planning

Tel: 403-517-1733

Steven Eirich
Investor Relations & Communications Advisor

Tel: 587-293-3286

E-mail: investor.relations@parexresources.com

Website: www.parexresources.com

ABBREVIATIONS

Oil and Natural Gas Liquids	
bbl(s)	barrel(s)
mbbls	one thousand barrels
bbl(s)/d	barrels of oil per day
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

Other	
WTI	West Texas Intermediate
Brent	Brent Ice
kms	Kilometers
FFO	Funds flow provided by operations

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

MANAGEMENT'S REPORT

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information presented elsewhere in this annual report.

The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). Since a precise determination of many assets and liabilities is dependent on future events, the timely preparation of financial statements requires that management make estimates and assumptions and use judgment. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances.

PricewaterhouseCoopers LLP were appointed by the Company's shareholders to express an audit opinion on the consolidated financial statements. Their examination included such tests and procedures as they considered necessary to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The Board of Directors is responsible for overseeing that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Finance & Audit Committee. The Finance & Audit Committee recommends appointment of the external auditors to the Board, evaluates their independence and approves their fees. The Finance & Audit Committee meets regularly with management and the external auditors to oversee that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board for approval. The external auditors have full and unrestricted access to the Finance & Audit Committee to discuss their audit and their findings.

"signed"	"signed"
Imad Mohsen	Cameron Grainger
President and Chief Executive Officer	Chief Financial Officer

March 3, 2026

Independent auditor's report

To the Shareholders of Parex Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Parex Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2025 and 2024;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impact of oil and natural gas reserves on net property, plant and equipment (PP&E) Refer to note 2 – Basis of preparation, significant accounting estimates and judgments, note 3 – Summary of material accounting policies, and note 9 – Property, plant and equipment to the consolidated financial statements. The Company had $1,500.2 million of net PP&E as at December 31, 2025. Depletion, depreciation and amortization (DD&A) expense was $200.4 million for the year then ended. PP&E within each cash generating unit (CGU) is depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated forecast costs to be incurred in developing proved plus probable reserves. The proved plus probable reserves are prepared by the Company's independent qualified reserve evaluators (management's experts). Key assumptions used by management to determine the proved plus probable reserves include production forecasts, future commodity prices, future development and future production costs. We considered this a key audit matter due to (i) the judgments made by management, including the use of management's experts, when estimating the proved plus probable reserves; and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the assumptions.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the proved plus probable reserves used to determine the DD&A expense which included the following: – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved plus probable reserves. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and evaluation of their findings for certain properties. – Evaluated the reasonableness of assumptions used, including production forecasts, future development costs, and future production costs by considering current and past performance of the Company and whether those assumptions were consistent with evidence obtained in other areas of the audit for certain properties, as applicable. – Evaluated the reasonableness of future commodity price estimates by comparing those forecasts with third party industry forecasts. • Recalculated the unit-of-production rates used to calculate the DD&A expense.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants
Calgary, Alberta
March 3, 2026

CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Balance Sheets

As at (thousands of United States dollars)	NOTE	December 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents	**24**	**$ 58,328**	$ 98,022
Restricted cash and cash equivalents	**24**	**5,424**	581
Accounts receivable	**5**	**78,329**	82,686
Prepaids and other current assets		**13,357**	29,042
Marketable securities	**7**	**45,090**	—
Derivative financial instruments	**27**	**776**	—
Current income tax receivable	**22**	**68,363**	33,595
Crude oil inventory	**6**	**4,327**	2,017
		273,994	245,943
Exploration and evaluation	**8**	**161,125**	116,928
Property, plant and equipment	**9**	**1,500,213**	1,419,301
Long-term inventory	**10**	**175,426**	199,474
Other long-term assets		**14,629**	11,489
Deferred tax asset	**22**	**142,253**	88,475
Goodwill	**14**	**73,452**	73,452
		$ 2,341,092	$ 2,155,062
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 235,809**	$ 170,731
Derivative financial instruments	**27**	**—**	1,160
Current portion of decommissioning and environmental liabilities	**19**	**10,158**	14,655
		245,967	186,546
Bank debt	**12**	**33,000**	60,000
Lease obligations	**13**	**7,814**	4,622
Cash settled share-based compensation liabilities	**18**	**15,228**	9,553
Decommissioning and environmental liabilities	**19**	**79,007**	63,020
Other long-term liabilities		**7,143**	—
		388,159	323,741
Shareholders' equity			
Share capital	**20**	**621,062**	632,899
Contributed surplus		**20,738**	20,024
Retained earnings		**1,311,133**	1,178,398
		1,952,933	1,831,321
		$ 2,341,092	$ 2,155,062

Commitments and Contingencies (note 29)
Subsequent Events (note 31)
See accompanying Notes to the Consolidated Financial Statements

Approved by the Board:

"signed"	"signed"
Sigmund Cornelius	Bob MacDougall
Director	Director

Consolidated Statements of Comprehensive Income

For the year ended December 31, (thousands of United States dollars, except per share amounts)	NOTE	2025	2024
Oil and natural gas sales	15	$ 1,005,842	$ 1,280,029
Royalties		(126,752)	(201,418)
Net revenue		879,090	1,078,611
Other revenue	15	9,826	8,157
Commodity risk management contracts (loss)	27	(1,419)	(1,160)
Revenue		887,497	1,085,608
Expenses			
Production		225,543	255,278
Transportation		76,444	65,745
Purchased oil		162	904
General and administrative		71,326	68,908
Impairment of exploration and evaluation assets	8	11,140	54,085
Impairment of property, plant and equipment assets	9	—	78,417
Impairment of long-term inventory	10	6,470	10,000
Equity settled share-based compensation expense	20	714	878
Cash settled share-based compensation expense	21	29,802	584
Depletion, depreciation and amortization	9	200,405	215,770
Other expense	16	29,200	6,227
Foreign exchange (gain) loss	27	(10,932)	5,447
Unrealized gain on marketable securities	7	(4,616)	—
		635,658	762,243
Finance (income)	17	(4,369)	(4,315)
Finance expense	17	21,402	18,408
Net finance expense		17,033	14,093
Income before income taxes		234,806	309,272
Income tax (recovery) expense			
Current tax expense	22	33,502	90,389
Deferred tax (recovery) expense	22	(53,779)	158,203
		(20,277)	248,592
Net income and comprehensive income for the year		$ 255,083	$ 60,680
Basic net income per common share	23	$ 2.62	$ 0.60
Diluted net income per common share	23	$ 2.62	$ 0.60

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Equity

For the year ended December 31, (thousands of United States dollars)		**2025**		2024
Share Capital				
Balance, beginning of year	**$**	**632,899**	$	660,817
Issuance of common shares under equity-settled plan		**—**		411
Repurchase of shares		**(11,837)**		(28,329)
Balance, end of year	**$**	**621,062**	$	632,899
Contributed Surplus				
Balance, beginning of year	**$**	**20,024**	$	19,248
Share-based compensation		**714**		878
Options exercised		**—**		(102)
Balance, end of year	**$**	**20,738**	$	20,024
Retained earnings				
Balance, beginning of year	**$**	**1,178,398**	$	1,275,362
Net income for the year		**255,083**		60,680
Repurchase of shares		**(14,677)**		(45,460)
Dividends		**(107,671)**		(112,184)
Balance, end of year		**1,311,133**		1,178,398
	$	**1,952,933**	$	1,831,321

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

For the year ended December 31, (thousands of United States dollars)	NOTE	2025	2024
Operating activities			
Net income		**$ 255,083**	$ 60,680
Add (deduct) non-cash items			
Depletion, depreciation and amortization	**9**	**200,405**	215,770
Non-cash finance expense	**17**	**12,511**	9,273
Non-cash other expense	**16**	**9,272**	3,580
Equity settled share-based compensation expense	**20**	**714**	878
Cash settled share-based compensation expense	**21**	**29,802**	584
Deferred tax (recovery) expense	**22**	**(53,779)**	158,203
Impairment of exploration and evaluation assets	**8**	**11,140**	54,085
Impairment of property, plant and equipment assets	**9**	**—**	78,417
Impairment of long-term inventory	**10**	**6,470**	10,000
Unrealized foreign exchange (gain) loss	**27**	**(10,857)**	29,603
Unrealized (gain) loss on commodity risk management contracts	**27**	**(1,160)**	1,160
Unrealized gain on marketable securities	**7**	**(4,616)**	—
Net change in assets and liabilities	**24**	**(30,229)**	(52,318)
Cash provided by operating activities		**424,756**	569,915
Investing activities			
Property, plant and equipment expenditures	**9**	**(200,595)**	(221,250)
Exploration and evaluation expenditures	**8**	**(109,730)**	(126,445)
Long-term inventory expenditures, net of transfers and sales	**10**	**17,578**	(4,773)
Property acquisition	**11**	**(15,968)**	—
Marketable securities	**7**	**(40,473)**	—
Net change in non-cash working capital	**24**	**45,150**	(39,775)
Cash (used in) investing activities		**(304,038)**	(392,243)
Financing activities			
Common shares repurchased	**20**	**(26,514)**	(73,789)
Dividends	**20**	**(107,671)**	(112,184)
Bank debt repayment	**12**	**(27,000)**	(30,000)
Issuance of common shares under equity-settled plans	**20**	**—**	309
Payments on lease obligation	**13**	**(752)**	(681)
Net change in non-cash working capital	**24**	**(932)**	1,449
Cash (used in) financing activities		**(162,869)**	(214,896)
Decrease in cash and cash equivalents and restricted cash and cash equivalents for the year		**(42,151)**	(37,224)
Impact of foreign exchange on foreign currency-denominated cash balances		**4,307**	(4,897)
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	**24**	**101,787**	143,908
Cash and cash equivalents and restricted cash and cash equivalents, end of year	**24**	**$ 63,943**	$ 101,787

Supplemental Disclosure of Cash Flow Information (note 24)
See accompanying Notes to the Consolidated Financial Statements

1. Corporate Information

Parex Resources Inc. and its subsidiaries ("Parex" or "the Company") are in the business of the exploration, development, production and marketing of oil and natural gas in Colombia.

Parex Resources Inc. is a publicly traded Company, incorporated and domiciled in Canada. Its registered office is at 2400, 525-8th Avenue S.W., Calgary, Alberta T2P 1G1. The Company was incorporated on August 17, 2009, pursuant to the Business Corporations Act (Alberta).

The consolidated financial statements were approved by the Board of Directors on March 3, 2026.

2. Basis of Preparation, Significant Accounting Estimates and Judgements

a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 3, 2026, the date the Board of Directors approved the consolidated financial statements.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and share-based compensation transactions which are measured at fair value. The methods used to measure fair values are discussed in note 4 - Determination of Fair Values.

c) Use of management estimates, judgments and measurement uncertainty

The timely preparation of the consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

(i) Depletion, depreciation and reserves

Depletion is based on the proved plus probable reserves as evaluated in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and incorporating the estimated future cost of developing and extracting those. The proved plus probable reserves are prepared by the Company's independent qualified reserve evaluators. The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on production forecasts, future commodity prices, future development costs and future production costs. As circumstances change and additional data becomes available, reserve estimates may also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions of reserve estimates are often required due to changes in well performance, prices, economic conditions and governmental regulations.

Although every reasonable effort is made to determine that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs of disposal of property, plant and equipment for impairment calculations (see note 9 - Property, Plant and Equipment).

(ii) Determination of cash-generating units ("CGUs")
The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

(iii) Exploration and evaluation ("E&E")
The decision to transfer assets from E&E to property, plant and equipment ("PP&E") is primarily based on the estimated proved plus probable reserves used in the determination of an area's technical feasibility and commercial viability (see note 8 – Exploration and Evaluation Assets).

(iv) Decommissioning and environmental liabilities
Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of its assets. The ultimate decommissioning and restoration costs are uncertain, and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change in response to changes in reserves, laws and regulations or their interpretation, the timing and likelihood of the settlement of the obligation, discount rates, and future interest rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The Company uses a risk-free discount rate based on forecasted Colombia interest rates.

Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed, and the associated costs can be estimated. These liabilities are in addition to the decommissioning liabilities due to government regulations that require the Company to perform additional mitigation against the environmental issues attributed to water usage and deforestation from oil and gas activities performed. In addition, the timing of expected settlement of the environmental liabilities differs from the timing of expected settlement of the decommissioning liabilities. Refer to note 19 – Decommissioning and Environmental Liabilities.

(v) Impairment indicators and discount rate
The recoverable amounts of CGUs and individual assets have been determined as the greater of either an asset's or CGU's value in use or fair value less costs of disposal. These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, quantity of reserves and discount rates as well as future development and operating costs. It is reasonably possible that the commodity price assumptions may change, which may impact the estimated life of the oil and natural gas reserves and the recoverable economical reserves and may require a material adjustment to the carrying value of oil and natural gas assets. The Company monitors internal and external indicators of impairment relating to its property, plant and equipment, exploration and evaluation assets and long-term inventory. Refer to note 8 – Exploration and Evaluation Assets, note 9 – Property, Plant and Equipment, note 10 - Long-Term Inventory and note 14 – Goodwill.

(vi) Share-based compensation
Compensation costs accrued for under the Company's Stock Option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of Parex shares and expected term of the issued stock option. Compensation costs accrued for under the Company's Cash Settled Restricted Share Units ("CRSU") plan, Cash or share settled Restricted Share Units ("CosRSU") and Performance Share Units ("CosPSU") plan and Long Duration Restricted Share Units ("LDRSU") and Performance Share Units ("LDPSU") plan are measured at fair value using the Black-Scholes pricing model based on the market price of Parex shares on the date of issuance. Compensation costs accrued for under the Company's Deferred Share Unit ("DSU") plan are measured at fair value using the Black-Scholes pricing model based on the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the date of issuance. Refer to note 20 - Share Capital and note 21 - Cash Settled Incentive Plans.

(vii) Derivative financial asset/liability
The estimated fair value of derivative instruments and resulting derivative assets and liabilities depends on estimated forward prices and volatility in those prices and by their nature are subject to measurement uncertainty.

(viii) Income taxes
Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused temporary differences can be utilized. Future projected income and future tax rates could be affected by oil prices, quantities of oil and gas reserves, and future oil and gas production. If these factors or other circumstances change, the Company would reassess its ability to record any increase or decrease in its deferred income tax asset. To the extent that actual outcomes differ from management's estimates, taxation charges or credits may arise in future periods. Refer to note 22 - Income Tax.

(ix) Business combinations, corporate and property acquisitions

Business combinations, corporate and property acquisitions are accounted for using the acquisition method of accounting whereby the assets acquired, and the liabilities assumed are recorded at fair values. The determination of fair value often requires management to make assumptions and estimates about future events. The fair value of property, plant and equipment recognized in a business combination, corporate or property acquisition is based on market values. The market value of property, plant and equipment is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market value of E&E assets are estimated with reference to the market values of current arm's length transactions in comparable locations. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill (or gain from a bargain purchase) in the acquisition equation. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment or goodwill impairment.

3. Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries at December 31, 2025. The principal operating subsidiaries and their activities are:

Entity	Country of incorporation	Country of principle business activity	Ownership %	Principle business activity
Parex Resources (Colombia) AG	Switzerland	Colombia	100	Oil and natural gas exploration and development
Verano Energy (Switzerland) AG	Switzerland	Colombia	100	Oil and natural gas exploration and development

The above listing does not include the wholly owned holding company subsidiaries or inactive operating company subsidiaries of Parex. All companies in the Parex group are wholly owned subsidiaries.

Inter-company balances and transactions are eliminated on consolidation. Interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. Joint operations arise when the Company has rights to the assets and obligations for the liabilities of the arrangement. The Company recognizes its share of assets, liabilities, revenues and expenses of a joint operation. A significant portion of the Company's operating cash flows is derived through joint operations which are involved in the development and production of crude oil in Colombia. Joint ventures arise when the Company has rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The consolidated financial statements are presented in United States dollars, which is the functional currency of Parex.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of comprehensive income.

c) Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value Through Profit or Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments and investments.

On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

As at December 31, 2025, all of the Company's receivables were outstanding for less than 90 days. The average expected credit loss on the Company's trade accounts receivable was 0.5% at December 31, 2025.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished, and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Derivative Financial Instruments

Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Where specific financial instruments are executed, the Company assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

Risk management assets and liabilities are derivative financial instruments classified as measured at FVTPL. Derivatives financial instruments are recorded using mark-to-market accounting whereby instruments are recorded in the consolidated balance sheets as either an asset or liability with changes in fair value recognized in net earnings as a gain or loss on risk management. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts.

d) Capital assets

(i) Exploration and evaluation

All costs directly associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized. E&E costs are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, E&E drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to comprehensive income as E&E expenses.

When an area is determined to be technically feasible and commercially viable the accumulated costs are transferred to PP&E, where they are depleted. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to comprehensive income as impairment of exploration and evaluation assets. Net proceeds from any disposal of an intangible exploration asset are recorded as a reduction in intangible assets.

(ii) Property, plant and equipment

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include proved property acquisitions, development drilling, completion of wells, gathering facilities and infrastructure, decommissioning and restoration costs and transfers of E&E assets.

Costs accumulated within each CGU are depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated forecast costs to be incurred in developing proved plus probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use.

Costs associated with office furniture, fixtures and leasehold improvements are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from 1 to 5 years.

(iii) Long-term inventory

All costs in the form of long-lead material and equipment inventory, such as drill casing, natural gas compressors, and other major equipment, are initially capitalized. As the assets are used, they are incorporated into the costs of the related E&E and PP&E projects.

e) Impairment of long-term assets

The carrying amounts of the Company's long-term assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

For the purpose of PP&E impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amounts of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

The value in use is determined by estimating the present value of the pre-tax future net cash flows expected to be derived from the continued use of the asset or CGU. The FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future after tax net cash flows which are based on the following assumptions: proved plus probable reserves, production forecasts, future commodity prices, future development and operating costs, future production costs, and discount rates. The proved plus probable reserves, production forecasts, future commodity prices, future development costs and future production costs are prepared by the Company's independent qualified reserve evaluators. E&E assets are assessed for impairment when they are reclassified to PP&E, and, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. E&E assets are allocated to related CGUs where they are assessed for impairment upon their eventual reclassification to PP&E.

E&E assets not reclassified to PP&E are assessed for impairment on an asset-by-asset basis.

Long-term inventory is assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

If an indication of impairment exists, management estimates the recoverable amount of the E&E assets or long-term inventory.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income.

The recoverable amount of goodwill is determined as the fair value less costs of disposal using a discounted cash flow method. Goodwill is evaluated at the Colombia segment level as business combinations giving rise to goodwill do not have specifically identifiable benefits to any one CGU.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

f) Crude oil inventory

Crude oil inventory consists of crude oil in transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location.

g) Purchased oil

Purchased oil includes costs to buy third party oil. The costs for third party oil are initially recorded in inventory until the crude oil title is transferred.

h) Goodwill

Goodwill is recorded on a business acquisition when the purchase price is in excess of the fair values assigned to assets acquired and liabilities assumed. Goodwill is not amortized, and an impairment test is performed annually or as events occur that could indicate impairment. To test for impairment, goodwill is allocated to each of the Company's CGUs, groups of CGUs, or an operating segment expected to benefit from the acquisition. Goodwill is tested by combining the carrying amounts of property, plant and equipment, exploration and evaluation assets and goodwill and comparing this to the recoverable amount. Fair value less costs of disposal, is derived by estimating the discounted after-tax future net cash flows as described in the property, plant and equipment impairment test, plus the fair market value of undeveloped land, seismic and inventory. Value in use is assessed using the present value of the expected future cash flows. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Impairment charges, which are not tax affected, are recognized in comprehensive income and are not reversed. Goodwill is reported at cost less any impairment.

i) Revenue recognition

Parex principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from Parex to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- Parex has transferred title and physical possession of the commodity to the buyer;
- Parex has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- Parex has the present right to payment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company sells its production of crude oil and natural gas pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, Parex does not adjust its revenue transactions for the time value of money.

Parex enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. The Company also applies a practical expedient of IFRS 15 that allows any incremental costs of obtaining contracts with customers to be recognized as an expense when incurred rather than being capitalized.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

The Company's revenue transactions do not contain significant financing components.

Parex generates other revenue from non-core activities including pipeline transportation revenue and revenue related to energy generation and use of infrastructure. Other revenue is recognized when it is probable that the economic benefits will flow to the entity, the amount can be measured reliably and is measured at the fair value of the consideration received or receivable.

j) Equity settled share-based compensation

The Company has an incentive stock option plan pursuant to which the Company may issue options for certain employees, officers and directors as described in note 20 - Share Capital. The Company records share-based compensation expense using the fair value method. The fair value of an option granted is calculated at the grant date using the Black-Scholes pricing model and expensed over the vesting period of the option. The Company determines an appropriate forfeiture rate by examining the history of its forfeitures. The Company records the cumulative share-based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised security. Any consideration received on the exercise of stock options is credited to share capital.

Upon the exercise of the options the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

k) Cash settled share-based compensation

The Company has a Cash Settled Restricted Share Unit ("CRSUs") plan which allows the Company to issue CRSUs to certain employees of Parex Colombia as described in note 21 - Cash Settled Incentive Plans. Obligations for payments of cash under the foreign subsidiaries' CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the CRSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The CRSUs liability cannot be settled by the issuance of common shares.

The Company has a Deferred Share Unit ("DSU") plan which allows the Company to issue DSUs to all non-employee directors of Parex Resources Inc., as described in note 21 - Cash Settled Incentive Plans. As DSUs vest immediately on issuance, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately on issuance based on the fair value of the DSUs. The fair value of DSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the DSUs result in a corresponding change in the recorded liability. The accrued compensation for a unit that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

The Company has a Cash or Share Settled Restricted Share Unit/Performance Share Unit ("CosRSU/CosPSU") incentive plan to issue CosRSUs and CosPSUs to certain employees of Parex Canada as described in note 21 - Cash Settled Incentive Plans. Obligations for payments of cash or settlement of shares under the CosRSUs and CosPSUs plan are accrued as compensation expense over the vesting period based on the fair value of the CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the CosRSUs and CosPSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The CosRSUs and CosPSUs liability can be settled in cash or by the issuance of common shares at the election of the employee.

The Company has a Long Duration Restricted Share Unit/Performance Share Unit ("LDRSU/LDPSU") incentive plan to issue LDRSUs and LDPSUs to certain employees of Parex Canada as described in note 21 - Cash Settled Incentive Plans. Obligations for payments of cash or settlement of shares under the LDRSUs and LDPSUs plan are accrued as compensation expense over the vesting period based on the fair value of the LDRSUs and LDPSUs. The fair value of LDRSUs and LDPSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. In accordance with the fair value method, increases or decreases in the fair value of the LDRSUs and LDPSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture. The LDRSUs and LDPSUs liability can be settled in cash or by the issuance of common shares at the election of the employee.

l) Provisions

A provision is recognized if, as a result of a past event, the Company has a current legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

m) Decommissioning and environmental liabilities

The Company's activities give rise to dismantling, decommissioning, environmental, abandonment and site disturbance remediation activities. Provisions are made for the estimated cost of the future site restoration and capitalized in the relevant asset category.

Decommissioning and environmental liabilities are measured at the present value of management's best estimate of the cost and future timing of the expenditure required to settle the present obligation at the balance sheet date using a risk-free discount rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance expense whereas increases (decreases) due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning and environmental liabilities are charged against the provision to the extent the provision was established.

n) Operating Segments

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by the Company's chief operating decision makers. The operating segments are Canada and Colombia. The Company evaluates the financial performance of its operating segments primarily based on operating cash flow.

o) Finance income and expense

Finance expense comprises credit facility interest related to the drawn credit facility, standby fees related to the undrawn credit facility, bank taxes, accretion on provisions, other and expected credit loss provision (recovery). Finance income comprises interest earned on cash and other income.

p) Other expense

Other expense is comprised mainly of other Colombian taxes, legal provisions, Colombian tax credits purchased, loss (gain) on settlement of decommissioning liabilities and loss (gain) on settlement of tangible assets.

q) Cash and cash equivalents

Cash and cash equivalents is comprised of cash and other short-term highly liquid investments with maturities less than 3 months held in chartered banks in Canada and recognized financial institutions in Colombia and Switzerland with BBB+ credit ratings or higher.

r) Restricted cash and cash equivalents

Restricted cash and cash equivalents is comprised of cash and cash equivalents pledged to satisfy commitments in long term contracts. Restrictions will lapse when work obligations are satisfied pursuant to the contracts. Cash and claims to cash that are restricted as to withdrawal or use for other than current operations or are designated for expenditure to satisfy commitments pursuant to long-term contracts, are excluded from the current asset classification. The long-term portion of restricted cash and cash equivalents is included in other long-term assets on the Company's balance sheet.

s) Marketable securities

Marketable securities is comprised of investments in shares of public corporations.

t) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates, currency exchange rates and laws enacted or substantively enacted by the balance sheet date and expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax is not provided on temporary differences arising on investments in subsidiaries except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company, and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and liabilities are presented as non-current.

u) Per share information

Basic net income per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees, except when the effect would be anti-dilutive.

v) Leases

Right-of-use asset ("ROU asset") and a corresponding lease obligation are recognized on the balance sheets on the date that a lease asset becomes available for use. Interest associated with the lease obligation is recognized over the lease period with a corresponding increase in the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the lease term. Depreciation on ROU assets is recognized in DD&A.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include fixed lease payments, variable lease payments and payments to exercise an extension or termination option if applicable, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

ROU assets and lease obligations are remeasured when there is a change in the future lease payments arising from a change in an index or rate or term, or if there is a change in the assessment on whether the Company will exercise an extension or termination option.

Short-term leases and leases of low-value assets are not recognized on the balance sheets and lease payments are instead recognized in the financial statements as incurred.

w) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. When the company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. The excess of the purchase price over the average carrying value is recognized as a deduction from Retained Earnings. Shares are cancelled upon repurchase.

x) Dividends

Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are declared by the Board of Directors.

y) Future Accounting Pronouncements

The Company plans to adopt the following amendments to accounting standards, issued by the International Accounting Standards Board ("IASB"), that are effective for annual periods beginning on or after January 1, 2026. The pronouncements will be adopted on their respective effective dates.

i) Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective January 1, 2026, but are not expected to have a material impact on Parex's consolidated financial statements.

ii) IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") which will replace IAS 1 and includes requirements for all entities applying IFRS for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expenses in the statement of income, as well as requiring disclosure about management-defined performance measures ("MPMs") and additional requirements regarding the aggregation and disaggregation of certain information. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted, and it must be adopted on a retrospective basis.

Parex is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements. Throughout 2026, Parex will assess system changes, draft and finalize financial statements to quantify the impact of changes, MPMs and related disclosures ahead of the 2027 effective date.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) PP&E, exploration and evaluation and long-term inventory assets

The fair value of PP&E, exploration and evaluation, and long-term inventory assets are determined if there are indicators of impairment. The fair value of PP&E, exploration and evaluation, and long-term inventory assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of oil and natural gas assets (included in PP&E) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on the reserve reports prepared by the Company's independent qualified reserve evaluators. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

b) Cash, accounts receivable and accounts payable and accrued liabilities

The fair value of cash, accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2025 and 2024 the fair value of these balances approximated their carrying value due to their short-term to maturity.

c) Marketable Securities

Marketable securities are initially recognized at fair value on the date the investment is made and are remeasured at fair value at each subsequent reporting date. The fair value of marketable securities on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair value is based on quoted market prices from active markets.

d) Stock options

The fair value of stock options is measured using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, exercise price of the option, expected future share price volatility, weighted average expected life of the instruments (based on historical experience and general option-holder behavior), expected dividends, expected forfeiture rate and the risk-free interest rate (based on Government of Canada Bonds) for the relevant expected life as described in note 20 - Share Capital.

e) Cash settled restricted share units, cash or share settled restricted share units and performance share units, long duration restricted share units and performance share units and deferred share units

The fair value of CRSUs, CosRSUs and CosPSUs, LDRSUs and LDPSUs, and DSUs are measured using the Black-Scholes pricing model based on the market price of Parex shares on each balance sheet date. Refer to note 21 - Cash Settled Incentive Plans.

f) Derivative financial asset/liability

Risk management contracts are initially recognized at fair value on the date a derivative contract is entered into and are remeasured at their fair value at each subsequent reporting date. The fair value of the risk management contract on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions.

5. Accounts Receivable

		December 31, 2025		December 31, 2024
Trade receivables	**$**	**72,317**	$	77,106
Value added taxes (VAT)		**6,012**		5,580
Total	**$**	**78,329**	$	82,686

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. VAT receivable is $6.0 million as at December 31, 2025 (December 31, 2024 - $5.6 million). All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Crude Oil Inventory

		December 31, 2025		December 31, 2024
Crude oil inventory	**$**	**4,327**	$	2,017

Crude oil inventory consists of crude oil in transit at the balance sheet date and is valued at the lower of cost, using the weighted average cost method, and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location. During 2025, $611.5 million (year ended December 31, 2024 - $728.0 million) of produced crude oil inventory cost was expensed to the consolidated statements of comprehensive income. Purchased crude oil is sold immediately. The cost associated with purchased oil is shown in the consolidated statements of comprehensive income as purchased oil expense.

7. Marketable securities

		December 31, 2025		December 31, 2024
Marketable securities	**$**	**45,090**	$	—

In 2025, the Company acquired 6,084,986 common shares of GeoPark Ltd (NYSE: GPRK), representing approximately 11.8% ownership, for aggregate consideration of $40.5 million ($6.65 per share). The fair value of these shares at December 31, 2025 was $45.1 million, resulting in an unrealized gain of $4.6 million, which is recorded in the consolidated statement of comprehensive income.

8. Exploration and Evaluation Assets

Cost		
Balance at December 31, 2023	**$**	**211,590**
Additions and transfers from long-term inventory		126,445
Transfers to PP&E		(168,053)
Changes in decommissioning and environmental liability		1,031
Exploration and evaluation impairment		(54,085)
Balance at December 31, 2024	**$**	**116,928**
Additions and transfers from long-term inventory		109,730
Transfers to PP&E		(60,020)
Changes in decommissioning and environmental liability		5,627
Exploration and evaluation impairment		(11,140)
Balance at December 31, 2025	**$**	**161,125**

Additions and Transfers

E&E assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. During the year ended December 31, 2025, additions of $109.7 million (year ended December 31, 2024 - $126.4 million) represent the Company's share of costs incurred on E&E assets during the period. During the year ended December 31, 2025, $60.0 million of E&E assets were transferred to PP&E related to Block LLA-74 (year ended December 31, 2024 - $168.1 million transferred to PP&E related to the Arauca Block).

For the year ended December 31, 2025, $1.9 million of general and administrative costs (year ended December 31, 2024 - $3.6 million) have been capitalized in respect of exploration and evaluation activities during the current period.

2025 Impairments

During 2025, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the LLA-94 Block for costs related to exploration wells which indicated non-economic results and has relinquished the block. It was determined that the impairment was $11.1 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2025.

2024 Impairments

During 2024, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the LLA-122 Block for costs related to an exploration well which indicated technically unfeasible results at an acceptable risk tolerance. The impairment review compared the carrying value of the assets to the fair value less cost of disposal to determine the recoverable amount which was determined to be $nil for the LLA-122 block assets. It was determined that the impairment was $54.1 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2024.

The fair value less cost of disposal approach requires assumptions which are level 3 inputs.

At December 31, 2025 and December 31, 2024, the Company did not have any E&E assets in Canada.

9. Property, Plant and Equipment

	Canada	Colombia	Total
Cost			
Balance at December 31, 2023	**$ 17,612**	**$ 3,385,937**	**$ 3,403,549**
Additions and transfers from long-term inventory	3,820	217,430	221,250
Transfers from E&E assets	—	168,053	168,053
Changes in decommissioning and environmental liability	—	(14,523)	(14,523)
Balance at December 31, 2024	**21,432**	**3,756,897**	**3,778,329**
Additions and transfers from long-term inventory	1,340	199,255	200,595
Additions related to property acquisition - Note 11	—	16,788	16,788
Right-of-use asset addition (non-cash)	—	4,338	4,338
Transfers from E&E assets	—	60,020	60,020
Changes in decommissioning and environmental liability	—	372	372
Balance at December 31, 2025	**$ 22,772**	**$ 4,037,670**	**$ 4,060,442**
Accumulated Depreciation, Depletion and Amortization			
Balance at December 31, 2023	**$ 9,778**	**$ 2,055,596**	**$ 2,065,374**
Depletion and depreciation for the year	1,975	212,961	214,936
Depreciation - Right-of-use asset	760	74	834
DD&A included in crude oil inventory costing	—	(533)	(533)
Property, plant and equipment impairment	—	78,417	78,417
Balance at December 31, 2024	**12,513**	**2,346,515**	**2,359,028**
Depletion and depreciation for the year	2,312	196,701	199,013
Depreciation - Right-of-use asset	740	652	1,392
DD&A included in crude oil inventory costing	—	796	796
Balance at December 31, 2025	**$ 15,565**	**$ 2,544,664**	**$ 2,560,229**
Net book value:			
As at December 31, 2023	$ 7,834	$ 1,330,341	$ 1,338,175
As at December 31, 2024	$ 8,919	$ 1,410,382	$ 1,419,301
As at December 31, 2025	**$ 7,207**	**$ 1,493,006**	**$ 1,500,213**

Additions and Transfers

During 2025, property, plant and equipment ("PPE") additions of $200.6 million mainly relate to drilling and facility costs in Colombia. During the year ended December 31, 2025, $60.0 million of E&E assets were transferred to PP&E related to Block LLA-74.

During 2024, additions of $221.3 million mainly related to drilling and facility costs in Colombia. During the year ended December 31, 2024, $168.1 million of E&E assets were transferred to PP&E related to the Arauca Block.

For the year ended December 31, 2025, future development costs of $345.3 million (year ended December 31, 2024 - $426.7 million) were included in the depletion calculation for development and production assets. For the year ended December 31, 2025, $8.9 million of general and administrative costs (year ended December 31, 2024 - $5.0 million) have been capitalized in respect of development and production activities during the current period.

Impairments

The carrying amounts of the Company's PP&E assets are reviewed at each reporting date to determine whether there is any indication of impairment.

2025

At December 31, 2025, there were no indicators of impairment noted or indicators requiring a reversal of previously recorded impairments.

2024

A revision of the estimation of the total proved and probable reserves in the Aguas Blancas CGU and the Boranda/Fortuna CGU, both in the Magdalena Basin, for the year ended December 31, 2024, evidenced a decline as compared to the prior year estimation. Management considered this to be an indicator of impairment and carried out an impairment review of these CGUs. For all other CGUs, at December 31, 2024, there were no indicators of impairment noted or indicators requiring a reversal of previously recorded impairments.

The Company determined that the carrying amount of the Aguas Blancas CGU and the Boranda/Fortuna CGU, both in the Magdalena Basin, exceeded their recoverable amounts and an impairment of $78.4 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2024. The recoverable amount was determined using fair value less cost of disposal. The fair value less cost of disposal approach requires assumptions which are level 3 inputs.

The fair value was determined using discounted future after tax net cash flows of proved plus probable reserves using forecast prices and costs prepared by the Company's independent qualified reserve evaluators at December 31, 2024. Refer to note 14 – Goodwill for the future crude oil prices used by Parex's independent reserve evaluator. There are no E&E assets associated with these CGUs. Future cash flows were discounted using a rate of 14%. As at December 31, 2024, the recoverable amount of the Aguas Blancas CGU was estimated to be $20.9 million, and the recoverable amount of the Boranda/Fortuna CGU was estimated to be $3.5 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment.

10. Long-term Inventory

The Company has long-lead material inventory such as drill casing, natural gas compressors, and other major equipment.

Cost		
Balance at December 31, 2023	**$**	**204,701**
Additions		55,990
Transfers to E&E and PP&E assets		(40,028)
Transfer to production costs		(5,269)
Sale of inventory		(5,920)
Impairment		(10,000)
Balance at December 31, 2024	**$**	**199,474**
Additions		10,441
Transfers to E&E and PP&E assets		(25,045)
Transfer to production costs		(1,787)
Sale of inventory		(1,187)
Impairment		(6,470)
Balance at December 31, 2025	**$**	**175,426**

For the year ended December 31, 2025, long-term inventory additions were $10.4 million (year ended December 31, 2024 - $56.0 million). During the year ended December 31, 2025, $25.0 million (year ended December 31, 2024 - $40.0 million) of long-term inventory were incorporated into the costs of E&E and PP&E projects and $1.8 million (year ended December 31, 2024 - $5.3 million) were incorporated into production costs. During the year ended December 31, 2025, $1.2 million (year ended December 31, 2024 - $5.9 million) of long-term inventory was sold to third parties.

During 2025, the Company completed an impairment review of its long-term inventory. It was determined that the carrying amount of certain long-term inventory assets was lower than its recoverable amount and an impairment of $6.5 million (year ended December 31, 2024 - $10.0 million) was recorded in the consolidated statements of comprehensive income for the year ended December 31, 2025.

11. Property Acquisition

On March 14, 2025, Parex, through a foreign subsidiary, acquired an additional 25% working interest in the Azogue field in the LLA-32 Block and 12.5% working interest in the remainder of the LLA-32 Block (the "LLA-32 Acquisition") resulting in 100% working interest in the Block for the Company. The Company paid total net consideration of $16.0 million.

The consolidated statement of comprehensive income includes results of operation of the LLA-32 Acquisition since the closing date of March 14, 2025. There were no transaction costs associated with the LLA-32 Acquisition.

This transaction has been accounted for using the acquisition method whereby the assets acquired and the liabilities assumed are recorded at fair values. As the fair value of the identifiable assets was determined to equal the purchase price, no goodwill arose on the transaction. The following table summarizes the recognizable assets acquired and consideration paid pursuant to the acquisition:

Assets acquired and liabilities assumed		
PP&E	$	16,788
Decommissioning liabilities		(820)
	$	15,968

Consideration for the acquisition		
Purchase price	$	19,000
Purchase price adjustments		(3,032)
Net consideration	$	15,968
Cash paid	$	14,970
Working capital adjustments		998
Total consideration paid	**$**	**15,968**

No working capital was included in the assets acquired.

The pro forma results for the year ended December 31, 2025 are shown below, as if the LLA-32 Acquisition had occurred on January 1, 2025. Pro forma results are not indicative of actual results or future performance.

Oil and natural gas sales	$	1,009,605
Net revenue less direct costs	$	580,120

The pro forma net income and pro forma net income per share, basic and diluted, are considered impracticable to calculate and therefore not included. The consolidated statement of comprehensive income for the year ended December 31, 2025 includes $32.6 million of oil sales attributable to the assets acquired since the LLA-32 Acquisition. Revenue less direct costs for the year ended December 31, 2025 attributable to the assets acquired since the LLA-32 Acquisition is $22.0 million. Net income for the year ended December 31, 2025 attributable to the assets acquired since the LLA-32 Acquisition is considered impracticable to calculate.

12. Bank Debt

	December 31, 2025	December 31, 2024
Bank debt	**$ 33,000**	$ 60,000

The Company has a senior secured credit facility with a syndicate of banks which at December 31, 2025 had a borrowing base of $240.0 million (December 31, 2024 - $240.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2025, $33.0 million (December 31, 2024 - $60.0 million) was drawn on the credit facility. The undrawn capacity on the credit facility at December 31, 2025 was $207.0 million (December 31, 2024 - $180.0 million).

The credit facility bears interest and fees based in the following manner:
(i) advances on the revolving facility bear interest at rates per annum equal to U.S. Base Rate or SOFR plus applicable margins;
(ii) advances on the operating line bear interest at rates per annum equal to Canadian Prime Rate plus applicable margins; and
(iii) undrawn amounts bear a commitment fee.

The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2027. The next annual review is scheduled to occur in May 2026.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants for each reporting period. The Company was in compliance with all covenants at December 31, 2025.

The following table lists the Company's key financial covenant at December 31, 2025:

Covenant Description		December 31, 2025
Total Funded Debt to Adjusted EBITDA	Maximum Ratio 3.50:1	**0.54**

At December 31, 2025, performance guarantees were in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A. ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $235.1 million (December 31, 2024 - $160.7 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks (see note 29 - Commitments and Contingencies).

13. Lease Obligation

The Company has the following future commitments associated with its lease obligations:

	Canada	Colombia	Total
Balance at December 31, 2023	**$ 5,154**	**$ 1,316**	**$ 6,470**
Interest expense	38	151	189
Lease payments	(702)	(168)	(870)
Foreign exchange (gain)	(419)	(167)	(586)
Balance at December 31, 2024	**$ 4,071**	**$ 1,132**	**$ 5,203**
Additions	—	4,338	4,338
Interest expense	34	331	365
Lease payments	(586)	(531)	(1,117)
Foreign exchange loss	159	197	356
Balance at December 31, 2025	**$ 3,678**	**$ 5,467**	**$ 9,145**
Current obligation	(733)	(598)	(1,331)
Long-term obligation	**$ 2,945**	**$ 4,869**	**$ 7,814**

During the year ended December 31, 2025, the Company recorded an addition of $4.3 million in Colombia for the lease of polymer injection equipment.

14. Goodwill

	December 31, 2025	December 31, 2024
Goodwill	**$ 73,452**	$ 73,452

Impairment test of goodwill

The Company performed its annual test for goodwill impairment at the balance sheet date in accordance with its policy described in note 3 - Summary of Material Accounting Policies. The Company has allocated goodwill to the Colombia operating segment.

The estimated fair value less costs of disposal of the Colombia operating segment exceeded the carrying value. As a result, no goodwill impairment was recorded.

Valuation Techniques

The recoverable amount of the group of CGUs to which the goodwill was assigned is based on fair value less costs of disposal. The technique used in determining the recoverable amount is based on the net present value of the after-tax cash flows from oil and gas reserves of the group of CGUs based on reserves estimated by Parex's independent reserve evaluator and the fair value of undeveloped land based on estimates with consideration given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant group of CGUs. The discounting process uses a rate of return that is commensurate with the risk associated with the assets and the time value of money. This approach requires assumptions about revenue, future oil prices, tax rates and discount rates, all of which are level 3 inputs.

Significant Assumptions

Oil Reserves

Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

Future Oil Prices

Oil forward price estimates are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors. The future oil prices used in the model are based on a forecast of crude oil prices by Parex's independent reserve evaluator.

Prices used at December 31, 2025 are as follows:

	2026	2027	2028	2029	2030	Thereafter
Brent ($US/bbl)	63.25	70.00	74.08	76.32	77.84	2% increase per year
WTI ($US/bbl)	59.25	66.00	70.00	72.16	73.60	2% increase per year

Prices used at December 31, 2024 are as follows:

	2025	2026	2027	2028	2029	Thereafter
Brent ($US/bbl)	75.25	77.50	80.08	82.69	84.34	2% increase per year
WTI ($US/bbl)	71.25	73.50	76.00	78.53	80.10	2% increase per year

Discount Rate

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Its determination requires separate analysis of the cost of equity and debt and considers a risk premium based on an assessment of risks related to the projected cash flows of the group of Colombia based CGUs whose revenues are denominated in USD. The after-tax discount rate used in performing the impairment test was 14% (year ended December 31, 2024 - 14%).

The fair value of the group of Colombian CGUs was in excess of its carrying value. Based on sensitivity analysis, no reasonably possible change in discount rate assumptions would cause the carrying amount of the group of Colombia CGUs to exceed its recoverable amount.

15. Oil and Natural Gas Sales and Other Revenue

The Company's oil and natural gas production sales is determined pursuant to the terms of the revenue agreements. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The Company's oil and natural gas sales by product are as follows:

For the year ended December 31,		**2025**		2024
Crude oil	**$**	**975,687**	$	1,267,178
Natural gas		**30,155**		12,851
Oil and natural gas sales	**$**	**1,005,842**	$	1,280,029

At December 31, 2025, receivables from contracts with customers, which are included in accounts receivable, were $72.3 million (December 31, 2024 - $77.1 million).

The Company's other revenue includes pipeline transportation revenue and revenue related to energy generation and use of infrastructure:

For the year ended December 31,		**2025**		2024
Other Revenue	**$**	**9,826**	$	8,157

16. Other Expense

For the year ended December 31,		**2025**		2024
Other Colombian taxes	**$**	**8,850**	$	1,611
Colombian tax credit purchased		**8,097**		—
Legal provisions		**8,625**		—
Loss on settlement of decommissioning liabilities		**147**		1,593
Loss on disposition of tangible assets		**500**		1,987
Other		**2,981**		1,036
Total other expense	**$**	**29,200**	$	6,227

For the year ended December 31,		**2025**		2024
Non-cash other expense	**$**	**9,272**	$	3,580
Cash other expense		**19,928**		2,647
Total other expense	**$**	**29,200**	$	6,227

Legal provisions have been recognized in respect of estimated fines and penalties mainly arising from environmental regulatory disputes. Management has assessed the likelihood of settlement and determined the best estimate based on relevant legislation and the probability of enforcement outcomes. The timing of the outflows is expected within 10 years. Significant judgement was applied in estimating the range of possible outcomes given the uncertainty involved.

17. Net Finance Expense

For the year ended December 31,		2025		2024
Bank charges and credit facility fees	$	**4,748**	$	3,673
Interest on bank debt		**2,765**		4,174
Accretion on decommissioning and environmental liabilities		**9,122**		9,206
Interest and other income		**(4,369)**		(4,315)
Bad debt expense		**3,442**		—
Expected credit loss (recovery) provision		**(53)**		67
Lease obligation interest expense		**365**		189
Other		**1,013**		1,099
Net finance expense	$	**17,033**	$	14,093

For the year ended December 31,		2025		2024
Non-cash finance expense		**12,511**	$	9,273
Cash finance expense		**4,522**		4,820
Net finance expense	$	**17,033**	$	14,093

18. Cash Settled Share-Based Compensation Liabilities

Cash settled share-based compensation liabilities are comprised of the following:

		December 31, 2025		December 31, 2024
Long-term CosRSUs and CosPSUs payable	$	**4,479**	$	4,000
Long-term LDRSUs and LDPSUs payable		**2,820**		619
Long-term DSUs payable		**4,524**		3,535
Long-term CRSUs payable		**3,405**		1,399
Total cash settled share-based compensation payable	$	**15,228**	$	9,553

19. Decommissioning and Environmental Liabilities

		Decommissioning		Environmental		Total
Balance, December 31, 2023	$	**71,523**	$	**24,209**	$	**95,732**
Additions		5,398		332		5,730
Settlements of obligations during the year		(7,038)		(3,235)		(10,273)
Loss on settlement of obligations		1,593		—		1,593
Accretion expense		6,853		2,353		9,206
Change in estimate - inflation and discount rates		(9,400)		(3,205)		(12,605)
Change in estimate - costs and timing of settlements		1,725		(8,342)		(6,617)
Foreign exchange gain		(2,185)		(2,906)		(5,091)
Balance, December 31, 2024	$	**68,469**	$	**9,206**	$	**77,675**
Additions		6,407		3,275		9,682
Property acquisitions - Note 11		702		118		820
Settlements of obligations during the year		(5,877)		(3,635)		(9,512)
Loss (gain) on settlement of obligations		596		(449)		147
Accretion expense		8,160		962		9,122
Change in estimate - inflation and discount rates		(6,197)		(1,192)		(7,389)
Change in estimate - costs and timing of settlements		2,216		1,490		3,706
Foreign exchange loss		3,087		1,827		4,914
Balance, December 31, 2025		**77,563**		**11,602**		**89,165**
Current obligation		(7,318)		(2,840)		(10,158)
Long-term obligation	$	**70,245**	$	**8,762**	$	**79,007**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at December 31, 2025, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $244.5 million as at December 31, 2025 (December 31, 2024 – $216.8 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 12.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2024 – 11.2% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2025 and 2024 are based on forecast Colombia rates.

Included in the decommissioning liability is $7.3 million (December 31, 2024 – $11.7 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $29.7 million as at December 31, 2025 (December 31, 2024 – $24.6 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 12.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2024 – 11.2% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2025 and 2024 are based on forecast Colombia rates.

Included in the environmental liability is $2.8 million (December 31, 2024 – $2.9 million) that is classified as a current obligation.

Sensitivities
A change to the assumed discount rate or inflation rate would have the following impact on the decommissioning and environmental liabilities:

		2025		2024	
As at December 31,	**Sensitivity Range**	**Increase**	**Decrease**	Increase	Decrease
Risk-free discount rate	+/- one percent	**$ (5,551)**	**$ 6,157**	$ (5,349)	$ 6,022
Inflation rate	+/- one percent	**$ 6,600**	**$ (6,013)**	$ 6,406	$ (5,702)

20. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2023	103,811,718	$	660,817
Issued for cash – exercise of options	22,168		309
Allocation of contributed surplus – exercise of options	—		102
Repurchase of shares	(5,494,850)		(28,329)
Balance, December 31, 2024	98,339,036	$	632,899
Repurchase of shares	(2,364,900)		(11,837)
Balance, December 31, 2025	**95,974,136**	**$**	**621,062**

The Company has authorized an unlimited number of voting common shares without nominal or par value.

In 2025, no options were exercised (year ended December 31, 2024 - 22,168 options were exercised for proceeds of $0.3 million).

In 2025, the Company repurchased 2,364,900 common shares pursuant to its Normal Course Issuer Bid ("NCIB") for $26.5 million at an average cost per share of Cdn$15.37 (year ended December 31, 2024 - 5,494,850 common shares repurchased for $73.8 million at an average cost per share of Cdn$18.04). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

Dividends paid in 2025 were $107.7 million or Cdn$1.54 per share (year ended December 31, 2024 - $112.2 million or Cdn$1.53 per share) to shareholders on record for each dividend payment.

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's officers and certain employees to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 5% of the number of common shares issued and outstanding. The stock options vest over a three-year period and expire five years from the date of grant.

	Number of options	Weighted average exercise price Cdn$/option
Balance, December 31, 2023	690,645	23.32
Granted	248,842	21.06
Exercised	(22,168)	18.75
Forfeited	(17,890)	24.67
Balance, December 31, 2024	899,429	22.78
Granted	533,022	12.74
Forfeited	(178,843)	21.52
Balance, December 31, 2025	**1,253,608**	**18.69**

Stock options outstanding and the weighted average remaining life of the stock options at December 31, 2025 are as follows:

	Options outstanding			Options vested		
Exercise price Cdn$	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option
$12.74 - $16.90	518,558	4.18	12.74	—	—	—
$16.91 - $21.35	238,028	3.18	21.06	79,335	3.18	21.06
$21.36 - $22.71	153,009	0.11	21.69	153,009	0.11	21.69
$22.72 - $24.12	188,369	2.10	22.77	125,564	2.10	22.77
$24.13 - $27.02	155,644	1.09	27.00	155,644	1.09	27.00
	1,253,608	**2.80**	**18.69**	**513,552**	**1.37**	**23.47**

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the year ended December 31,	**2025**	2024
Risk-free interest rate (%)	**2.66**	3.67
Expected life (years)	**4**	4
Expected volatility (%)	**41**	47
Forfeiture rate (%)	**3**	3
Expected dividend yield (%)	**8.35**	10.56

The weighted average fair value at the grant date for the year ended December 31, 2025 was Cdn$1.68 per option (year ended December 31, 2024 – Cdn$5.10 per option). The weighted average share price on the exercise date for options exercised for the year ended December 31, 2024 was Cdn$22.14.

c) Equity settled share-based compensation

For the year ended December 31,		**2025**		2024
Option expense	**$**	**714**	$	878
Total equity settled share-based compensation expense	**$**	**714**	$	878

21. Cash Settled Incentive Plans

a) Cash or share settled Restricted Share Units and Performance Share Units ("CosRSUs and CosPSUs")

The Company has in place a Cash or share settled RSU/PSU incentive plan. This plan provides for the issuance of RSUs and PSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise or the employee can elect to receive the award in Parex common shares. CosRSUs and CosPSUs vest over a three-year period and are exercised at the vest date.

CosRSUs:	Number of CosRSUs	Weighted average exercise price Cdn$/CosRSU
Balance, December 31, 2023	1,236,515	—
Granted[(1)]	683,101	—
Exercised	(593,565)	—
Forfeited	(163,799)	—
Balance, December 31, 2024	1,162,252	—
Granted[(1)]	1,037,144	—
Exercised	(569,595)	—
Forfeited	(133,366)	—
Balance, December 31, 2025	**1,496,435**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

CosPSUs:	Number of CosPSUs	Weighted average exercise price Cdn$/CosPSU
Balance, December 31, 2023	821,865	—
Granted[(1)]	151,779	—
Granted by performance factor	57,567	—
Exercised	(345,774)	—
Forfeited	(2,850)	—
Balance, December 31, 2024	682,587	—
Granted[(1)]	156,917	—
Granted by performance factor	40,596	—
Exercised	(303,208)	—
Forfeited	(28,793)	—
Balance, December 31, 2025	**548,099**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

As at December 31, 2025, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the year ended December 31, 2025 was Cdn$12.84 per CosRSU and CosPSU (year ended December 31, 2024 - Cdn$20.75 per CosRSU and CosPSU). The weighted average share price on the exercise date for CosRSUs and CosPSUs exercised in 2025 was Cdn$13.81 (year ended December 31, 2024 – Cdn$21.72).

Pursuant to the cash or share settled restricted share unit and performance share unit plan, the Company has granted performance share units to certain employees. The CosPSUs vest three years after the grant date. CosPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a predetermined adjustment factor of between 0-2x is applied to CosPSUs eligible to vest at the end of the performance period. In March 2025 the board of directors approved a multiplier of 1.15X be applied to the 2022 CosPSU grant resulting in 40,596 CosPSUs issued. In March 2024 the board of directors approved a multiplier of 1.25X be applied to the 2021 CosPSU grant resulting in 57,567 CosPSUs issued.

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. As at December 31, 2025, the total CosRSUs and CosPSUs liability accrued is $18.8 million (December 31, 2024 - $11.2 million) of which $4.5 million (December 31, 2024 - $4.0 million) is classified as long-term in accordance with the three-year vesting period.

b) Long Duration Restricted Share Units and Performance Share Units ("LDRSUs and LDPSUs")

In May 2024, Parex put in place a long duration RSU/PSU incentive plan. This plan provides for the issuance of LDRSUs and LDPSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise, or the employee can elect to receive the award in common shares. LDRSUs vest over a three-year period and expire 10 years from the date of grant. LDPSUs vest three years after the grant date and expire 10 years from the date of grant.

LDRSUs:	Number of LDRSUs	Weighted average exercise price Cdn$/LDRSU
Balance, December 31, 2023	—	—
Granted[(1)]	154,383	—
Forfeited	(51,888)	—
Balance, December 31, 2024	102,495	—
Granted[(1)]	208,953	—
Balance, December 31, 2025	**311,448**	**—**

[(1)] Grants include units related to dividend equivalents granted on awards outstanding.

LDPSUs:	Number of LDPSUs	Weighted average exercise price Cdn$/LDPSU
Balance, December 31, 2023	—	—
Granted[(1)]	208,577	—
Balance, December 31, 2024	208,577	—
Granted[(1)]	414,321	—
Balance, December 31, 2025	**622,898**	**—**

[(1)] Grants include units related to dividend equivalents granted on awards outstanding.

As at December 31, 2025, 38,421 LDRSUs and no LDPSUs were vested. As at December 31, 2024, no LDRSUs and LDPSUs were vested.

The weighted average fair value at the grant date for the year ended December 31, 2025 was Cdn$12.74 per LDRSU and LDPSU (year ended December 31, 2024 - Cdn$21.06 per LDRSU and LDPSU).

Pursuant to the long duration restricted share unit and performance share unit plan, the Company has granted performance share units to certain employees. The LDPSUs vest three years after the grant date and expire 10 years after the grant date. LDPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to LDPSUs eligible to vest at the end of the performance period.

Obligations for payments of cash under the LDRSUs and LDPSUs plans are accrued as compensation expense over the vesting period based on the fair value of LDRSUs and LDPSUs. The fair value of LDRSUs and LDPSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. As at December 31, 2025, the total LDRSUs and LDPSUs liability accrued is $4.0 million (December 31, 2024 - $0.9 million) of which $2.8 million (December 31, 2024 - $0.6 million) is classified as long-term in accordance with the three-year vesting period.

c) Deferred share units ("DSUs")

The Company has in place a deferred share unit plan pursuant to which the Company may grant deferred shares to all non-employee directors. The deferred share units vest immediately and are settled in cash upon the retirement of the non-employee director from the Parex Board. The value of the DSUs at the exercise date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the exercise date. DSUs can only be redeemed following retirement from the Board of Directors of the Company in accordance with the terms of the DSU Plan. The DSUs liability cannot be settled by the issuance of common shares.

	Number of DSU's	Weighted average exercise price Cdn$/DSU
Balance, December 31, 2023	313,294	—
Granted[(1)]	57,382	—
Exercised on board retirement	(21,864)	—
Balance, December 31, 2024	348,812	—
Granted[(1)]	128,621	—
Exercised on board retirement	(68,767)	—
Balance, December 31, 2025	**408,666**	—

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The fair value at the grant date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the grant date. The weighted average fair value at the grant date for the year ended December 31, 2025 was Cdn$12.07 per DSU (year ended December 31, 2024 - Cdn$23.87 per DSU). The weighted average share price on the exercise date for DSUs exercised in 2025 was Cdn$18.12 (year ended December 31, 2024 – Cdn$18.43).

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU. As at December 31, 2025, the total DSUs liability accrued is $5.5 million (December 31, 2024 - $3.5 million) of which $4.5 million (December 31, 2024 - $3.5 million) is classified as long-term in accordance with the terms of the DSU plan.

d) Cash settled restricted share units ("CRSUs")

Parex Colombia has a cash settled restricted share unit plan that provides for the issuance of CRSUs to certain employees of Parex Colombia. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise. CRSUs vest over a three-year period and are exercised at the vest date. The CRSUs liability cannot be settled by the issuance of common shares.

	Number of CRSUs	Weighted average exercise price Cdn$/CRSU
Balance, December 31, 2023	679,112	—
Granted[(1)]	569,740	—
Exercised	(350,201)	—
Forfeited	(87,975)	—
Balance, December 31, 2024	810,676	—
Granted[(1)]	1,008,076	—
Exercised	(371,742)	—
Forfeited	(88,248)	—
Balance, December 31, 2025	**1,358,762**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The weighted average fair value at the grant date for the year ended December 31, 2025 was Cdn$12.81 per CRSU (year ended December 31, 2024 - Cdn$20.96 per CRSU). The weighted average share price on the exercise date for CRSUs exercised in 2025 was Cdn$14.04 (year ended December 31, 2024 – Cdn$21.44).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. As at December 31, 2025, the total CRSUs liability accrued is $9.3 million (December 31, 2024 - $4.4 million) of which $3.4 million (December 31, 2024 - $1.4 million) is classified as long-term in accordance with the three-year vesting period.

e) Cash settled share-based compensation

For the year ended December 31,		2025		2024
CosRSUs and CosPSUs expense	**$**	**16,299**	$	1,695
LDRSUs and LDPSUs expense		**3,196**		851
DSUs expense (recovery)		**2,859**		(2,085)
CRSUs expense		**7,448**		123
Total cash settled share-based compensation expense	**$**	**29,802**	$	584
Cash payments made upon exercise	**$**	**12,784**	$	20,647

22. Income Tax

The components of tax expense for 2025 and 2024 were as follows:

For the year ended December 31,		2025		2024
Current tax expense	**$**	**34,121**	$	89,492
Adjustments in respect of prior period		**(619)**		897
Total current tax expense	**$**	**33,502**	$	90,389
Deferred tax (recovery) expense		**(53,779)**		158,203
Total tax (recovery) expense	**$**	**(20,277)**	$	248,592

In December 2021, the Organization for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework ("Pillar Two"). In May 2023, the IASB issued amendments to IAS 12 Income Taxes ("IAS 12") to address Pillar Two, which provide clarity on the impacts and additional disclosure requirements once the legislation is substantively enacted. The impact of Pillar Two has been considered and assessed. Based on the analysis performed, the Company is not expected to be subject to any additional tax liabilities under the Pillar Two legislation. As a result, no Pillar Two impacts have been recognized in the deferred tax calculations.

Factors affecting tax expense for the year

The standard Colombian corporate income tax rate for 2025 was 35%. An additional surtax between 5-15% may apply when certain conditions are met, as Parex is an oil producing entity under Colombian law. This surtax was not applicable in 2025 due to Brent crude prices relative to historical averages; accordingly, the Company's total Colombian corporate income tax rate for 2025 was 35% (year ended December 31, 2024 – 45%). The following is a reconciliation of income taxes calculated at the Colombian corporate tax rate to the tax expense for 2025 and 2024:

For the year ended December 31,		2025		2024
Income before tax	**$**	**234,806**	$	309,272
Income before tax multiplied by the standard rate of Colombian corporate tax of 35% (2024 – 45%)		**82,182**		139,172
Effects of:				
Income taxes recorded at rates different from the Colombian tax rate		**13,173**		1,321
Impact of Colombian tax rate changes		**8,572**		(2,661)
Non-deductible expense and other permanent differences		**(12,240)**		(9,669)
Share-based compensation		**164**		202
Adjustment in respect of prior period		**(1,515)**		(364)
Foreign exchange impact on tax pools denominated in foreign currency		**(120,553)**		119,158
Change in unrecognized deferred tax assets		**9,940**		1,433
Total tax (recovery) expense	**$**	**(20,277)**	$	248,592

Colombian current tax rates are as follows: 35% for 2025 and thereafter plus an applicable surtax for Colombian oil producing companies of between 0% to 15% dependent on the price of Brent crude relative to historical averages.

The analysis of deferred income tax assets as follows:

	December 31, 2025	December 31, 2024
Deferred tax assets to be settled within 12 months	**$ 1,965**	$ 1
Deferred tax assets to be settled after more than 12 months	**164,678**	103,535
Deferred income tax assets	**$ 166,643**	$ 103,536

The analysis of deferred income tax liabilities as follows:

	December 31, 2025	December 31, 2024
Deferred tax liabilities to be settled within 12 months	**$ 531**	$ —
Deferred tax liabilities to be settled after more than 12 months	**$ 23,859**	15,061
Deferred income tax liability	**$ 24,390**	$ 15,061
Net deferred tax (asset)	**$ (142,253)**	$ (88,475)

The deferred income tax liabilities and assets to be settled (recovered) within 12 months represents management's estimate of the timing of the reversal of temporary differences and does not correlate to the current income tax expense of the subsequent year.
The movement during the year in the deferred income tax liabilities and the net components is as follows:

Deferred Tax (Liability)	**December 31, 2025**	Charged (credited) to the statement of comprehensive income	December 31, 2024	Charged (credited) to the statement of comprehensive income
PP&E	**$ (20,720)**	**$ (5,659)**	$ (15,061)	$ (15,061)
Other	**(3,670)**	**(3,670)**	**—**	—
Balance, end of year	**$ (24,390)**	**$ (9,329)**	$ (15,061)	$ (15,061)

The movement during the year in the deferred income tax assets and the net components is as follows:

Deferred Tax Asset	**December 31, 2025**	Charged (credited) to the statement of comprehensive income	December 31, 2024	Charged (credited) to the statement of comprehensive income
PP&E	**$ 111,309**	**$ 47,573**	$ 63,736	$ (128,796)
Loss carry forwards	**5,588**	**5,588**	—	—
Decommissioning liability	**38,341**	**4,941**	33,400	(7,765)
Other	**11,405**	**5,006**	6,400	(6,581)
Balance, end of year	**$ 166,643**	**$ 63,108**	$ 103,536	$ (143,142)

The Company has losses as well as other cumulative tax deductions in excess of book value in Canada available to reduce future taxable income in future years. At December 31, 2025, the deferred tax asset amount recorded in Canada is $6.0 million (December 31, 2024 - $3.0 million). The Company did not recognize deferred income tax assets on capital losses and other items in Canada of $35.0 million (December 31, 2024 - $32.0 million) and Switzerland of $7.0 million (December 31, 2024 - nil). Non-capital losses in Canada expire in 20 years and capital losses carry-forward indefinitely. Non-capital losses in Switzerland expire in 7 years and in Colombia expire in 12 years. Amounts denominated in foreign currency have been translated at the December 31, 2025 exchange rate. At December 31, 2025, the Company had the following losses carry-forward:

	Year of expiry			
	2032	**2037**	**Indefinitely**	**Total**
Switzerland	$ 63,000	—	—	63,000
Colombia	—	12,994	—	12,994
Canada	—	—	183,216	$ 183,216
Total	**$ 63,000**	**$ 12,994**	**$ 183,216**	**$ 259,210**

Earnings retained by subsidiaries amounted to $964.4 million at December 31, 2025 (December 31, 2024 - $1,681.2 million). No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings as it is not expected that they will be remitted in the foreseeable future.

23. Net income per Share

a) Basic net income per share

For the year ended December 31,		**2025**		2024
Net income				
Net income for the purpose of basic net income per share	**$**	**255,083**	$	60,680
Weighted average number of shares for the purposes of basic net income per share (000's)		**97,176**		101,414
Basic net income per share	**$**	**2.62**	$	0.60

b) Diluted net income per share

For the year ended December 31,		**2025**		2024
Net income				
Net income used to calculate diluted net income per share	**$**	**255,083**	$	60,680
Weighted average number of shares for the purposes of basic net income per share (000's)		**97,176**		101,414
Dilutive effect of share options and RSUs on potential common shares		**47**		—
Weighted average number of shares for the purposes of diluted net income per share		**97,223**		101,414
Diluted net income per share	**$**	**2.62**	$	0.60

For the year ended December 31, 2025, 827,396 stock options (December 31, 2024 - 897,633) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

24. Supplemental Disclosure of Cash Flow Information

a) Reconciliation of cash and cash equivalents and restricted cash and cash equivalents

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the amounts shown in the consolidated statement of cash flows:

For the year ended December 31,		**2025**		2024		2023
Cash and cash equivalents	**$**	**58,328**	$	98,022	$	140,352
Restricted cash and cash equivalents - current		**5,424**		581		—
Restricted cash and cash equivalents - long-term[(1)]		**191**		3,184		3,556
Total	**$**	**63,943**	$	101,787	$	143,908

(1) Included in Other long-term assets on the consolidated balance sheet.

b) Net change in assets and liabilities

For the year ended December 31,		**2025**		2024
Accounts receivable	**$**	**4,357**	$	35,881
Prepaids and other current assets		**15,685**		15,948
Marketable securities		**(45,090)**		—
Crude oil inventory		**(2,310)**		2,237
Current income tax receivable/payable		**(34,768)**		(4,583)
Accounts payable and accrued liabilities		**84,831**		(129,321)
Depletion related to crude oil inventory		**796**		(533)
Decommissioning and environmental liabilities		**(9,512)**		(10,273)
Net change in assets and liabilities	**$**	**13,989**	$	(90,644)
Operating	**$**	**(30,229)**	$	(52,318)
Investing		**45,150**		(39,775)
Financing		**(932)**		1,449
Net change in assets and liabilities	**$**	**13,989**	$	(90,644)

c) Interest and taxes paid

For the year ended December 31,		2025		2024
Cash interest paid	**$**	**2,753**	$	4,265
Cash income taxes paid	**$**	**1,178**	$	—

25. Employee Salaries and Benefit Expenses

For the year ended December 31,		2025		2024
Salaries, bonuses and other short-term benefits	**$**	**61,525**	$	54,218
Equity settled share-based compensation		**714**		878
Cash settled share-based compensation		**29,802**		584
Total	**$**	**92,041**	$	55,680

Employee salaries, bonuses and short-term benefits are included in general and administrative expense in the consolidated statements of comprehensive income. Stock options, CosRSUs, CosPSUs, LDRSUs, LDPSUs, CRSUs and DSUs expense are included in share-based compensation expense in the consolidated statements of comprehensive income.

26. Capital Management

The Company's strategy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain the confidence of investors and capital markets.

The Company has a senior secured credit facility with a syndicate of banks which at December 31, 2025 had a borrowing base in the amount of $240.0 million (December 31, 2024 - $240.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2025, $33.0 million (December 31, 2024 - $60.0 million) was drawn on the credit facility.

At December 31, 2025, performance guarantees were in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A. ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $235.1 million (December 31, 2024 - $160.7 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks (see note 29 - Commitments and Contingencies).

As at December 31, 2025, the Company's net working capital surplus was $28.0 million (December 31, 2024 - $59.4 million surplus).

The Company has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure, share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure at this time to include shareholders' equity, the credit facility and its working capital. As at December 31, 2025 shareholders' equity was $1,952.9 million (December 31, 2024 - $1,831.3 million).

27. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable, marketable securities, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity. The fair value of the revolving credit facility is equal to its carrying amount as the facility bears interest at floating rates and the credit spreads within the facility are indicative of market rates.

Long-term financial instruments of the Company carried on the consolidated balance sheet are carried at amortized cost. Financial derivative instruments, specifically fixed price contracts, are carried at fair value.

The fair value of the Company's financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy:

Level 1 – quoted prices in active markets for identical financial instruments.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's marketable securities have been classified as level 1 based on the fair value hierarchy described above. Their fair value is determined using quoted market prices at each reporting date.

The Company's financial derivative instruments have been classified as level 2 based on the fair value hierarchy described above. The Company uses the following techniques to determine the fair value measurements: Crude oil and foreign currency contracts are recorded at their estimated fair value based on the difference between the contracted price and the period end forward price for the same commodity and foreign currency, using quoted market prices or the period end forward price for the same commodity and foreign currency, extrapolated to the end of the contract term.

As at December 31, 2025, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Canadian dollar and COP against the US dollar would have decreased (increased) net income by approximately $8.7 million.

a) Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money do not meet their obligations. The Company assesses the financial strength of its joint venture partners and oil marketing counterparties in its management of credit exposure.

The Company for the year ended December 31, 2025 had the majority of its oil sales to one counterparty. Accounts receivable balance as at December 31, 2025 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers.

As at December 31, 2025 and 2024 the Company's accounts receivable are aged as follows:

For the year ended December 31,		**2025**		2024
Current (less than 90 days)	**$**	**78,329**	$	82,686
Past due (more than 90 days)		**—**		—
Total	**$**	**78,329**	$	82,686

For the year ended December 31, 2025 the Company recorded a provision for unrecoverable advances to a supplier for materials in the amount of $3.4 million.

None of the Company's receivables are impaired at December 31, 2025. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

b) Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 to 36 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. The balance drawn on the Company's $240.0 million credit facility at December 31, 2025 was $33.0 million (December 31, 2024 - $240.0 million facility, $60.0 million drawn).

The following are the contractual maturities of financial liabilities at December 31, 2025:

	Less than 1 year	**1-3 Years**	**4-5 Years**	**Thereafter**		**Total**
Accounts payable and accrued liabilities	212,081	—	—	7,143	$	219,224
Bank debt including interest	—	36,181	—	—		36,181
Lease obligation	1,331	7,814	—	—		9,145
Cash settled share-based compensation payable	22,397	15,228	—	—		37,625
Total	**$ 235,809**	**59,223**	**—**	**7,143**	**$**	**302,175**

The following are the contractual maturities of financial liabilities at December 31, 2024:

	Less than 1 year	1-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 159,773	—	—	—	$ 159,773
Derivative financial instruments	1,160	—	—	—	1,160
Bank debt including interest	—	66,287	—	—	66,287
Lease obligation	581	4,622	—	—	5,203
Cash settled share-based compensation payable	10,377	9,553	—	—	19,930
Total	$ 171,891	80,462	—	—	$ 252,353

c) Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to the prices received for its oil production. Crude oil is sensitive to numerous worldwide factors, many of which are beyond the Company's control. Changes in global supply and demand fundamentals in the crude oil market and geopolitical events can significantly affect crude oil prices. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company's oil production is sold under short-term contracts, exposing it to the risk of near-term price movements.

As at December 31, 2025, the Company had no commodity price risk management contracts in place.

The following is a summary of the commodity price risk management contracts entered into subsequent to December 31, 2025:

Period Hedged	Reference	Volume bbls/d	Call strike price	Put Strike	Low Put Strike	Premium
January 1, 2026 to January 31, 2026	ICE Brent	12,000	$70.00	$60.00	$55.00	$0.65
April 1, 2026 to April 30, 2026	ICE Brent	12,000	$70.00	$60.00	$53.00	$—
May 1, 2026 to May 31, 2026	ICE Brent	12,000	$70.00	$60.00	$53.00	$—
June 1, 2026 to June 30, 2026	ICE Brent	12,000	$70.00	$60.00	$53.00	$—

The table below summarizes the loss on the commodity price risk management contracts that were in place during the years ended December 31, 2025 and 2024:

For the year ended December 31,	2025	2024
Premiums paid on commodity price risk management contracts	**$ 7,935**	$ —
Unrealized (gain) loss on commodity price risk management contracts	**(1,160)**	1,160
Realized gain on commodity price risk management contracts	**(5,356)**	—
Total	**$ 1,419**	$ 1,160

d) Foreign currency risk

The Company is exposed to foreign currency risk as various portions of its cash balances are held in Canadian dollars (Cdn$) and Colombian pesos (COP$) while its committed capital expenditures are expected to be primarily denominated in US dollars.

As at December 31, 2025, the Company had no foreign currency risk management contracts in place.

The following is a summary of the foreign currency risk management contracts entered into subsequent to December 31, 2025:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price COP	Max compensation
January 16, 2026 to December 15, 2026	COP	Collar with limited compensation	$99,000,000	3,700-4,200	800

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the years ended December 31, 2025 and 2024:

For the year ended December 31,		**2025**		2024
Realized gain on foreign currency risk management contracts	**$**	**(8,998)**	$	—
Total	**$**	**(8,998)**	$	—

e) Market risk

Parex is exposed to market risk associated with its marketable securities, including the GeoPark Shares, primarily driven by changes in the market price and liquidity of the securities. The market price of the GeoPark Shares may be volatile and could be adversely affected by general market conditions, the investee's performance and disclosures, oil and gas commodity prices, interest and foreign exchange rates, geopolitical developments in the investee's areas of operation, and other factors beyond the Company's control.

28. Segmented Information

The Company has foreign subsidiaries, and the following segmented information is provided:

For the year ended December 31, 2025	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 1,005,842	$ 1,005,842
Royalties	—	(126,752)	(126,752)
Net revenue	—	879,090	879,090
Other revenue	—	9,826	9,826
Commodity risk management contracts (loss)	—	(1,419)	(1,419)
Revenue	—	887,497	887,497
Expenses			
Production	—	225,543	225,543
Transportation	—	76,444	76,444
Purchased oil	—	162	162
General and administrative	34,400	36,926	71,326
Impairment of exploration and evaluation assets	—	11,140	11,140
Impairment of property, plant and equipment assets	—	—	—
Impairment of long-term inventory	—	6,470	6,470
Equity settled share-based compensation expense	714	—	714
Cash settled share-based compensation expense	22,354	7,448	29,802
Depletion, depreciation and amortization	3,053	197,352	200,405
Other expense	—	29,200	29,200
Foreign exchange gain	(466)	(10,466)	(10,932)
Unrealized gain on marketable securities	(4,616)	—	(4,616)
	55,439	580,219	635,658
Finance (income)	(467)	(3,902)	(4,369)
Finance expense	6,084	15,318	21,402
Net finance expense	5,617	11,416	17,033
Income (loss) before taxes	(61,056)	295,862	234,806
Current tax expense (recovery)	(427)	33,929	33,502
Deferred tax (recovery)	(3,177)	(50,602)	(53,779)
Net income (loss)	**$ (57,452)**	**$ 312,535**	**$ 255,083**
Capital assets (end of year)	$ 7,207	$ 1,654,131	$ 1,661,338
Capital expenditures	$ 1,340	$ 308,985	$ 310,325
Total assets (end of year)	$ 69,132	$ 2,271,960	$ 2,341,092

For the year ended December 31, 2024	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 1,280,029	$ 1,280,029
Royalties	—	(201,418)	(201,418)
Net revenue	—	1,078,611	1,078,611
Other revenue	—	8,157	8,157
Commodity risk management contracts (loss)	—	(1,160)	(1,160)
Revenue	—	1,085,608	1,085,608
Expenses			
Production	—	255,278	255,278
Transportation	—	65,745	65,745
Purchased oil	—	904	904
General and administrative	37,435	31,473	68,908
Impairment of exploration and evaluation assets	—	54,085	54,085
Impairment of property, plant and equipment assets	—	78,417	78,417
Impairment of long-term inventory	—	10,000	10,000
Equity settled share-based compensation expense	878	—	878
Cash settled share-based compensation expense	461	123	584
Depletion, depreciation and amortization	2,735	213,035	215,770
Other expense	—	6,227	6,227
Foreign exchange loss	705	4,742	5,447
	42,214	720,029	762,243
Finance (income)	(832)	(3,483)	(4,315)
Finance expense	6,173	12,235	18,408
Net finance expense	5,341	8,752	14,093
Income (loss) before taxes	(47,555)	356,827	309,272
Current tax expense (recovery)	(3,124)	93,513	90,389
Deferred tax expense	3,796	154,407	158,203
Net income (loss)	**$ (48,227)**	**$ 108,907**	**$ 60,680**
Capital assets (end of year)	$ 8,919	$ 1,527,310	$ 1,536,229
Capital expenditures	$ 3,820	$ 343,875	$ 347,695
Total assets (end of year)	$ 54,088	$ 2,100,974	$ 2,155,062

For the year ended December 31, 2025, the Company had one external customer (year ended December 31, 2024 - two external customers), in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to these customers totaled $695.3 million for the year ended December 31, 2025, and $1,082.5 million for the year ended December 31, 2024, respectively.

29. Commitments and Contingencies

a) Colombia

At December 31, 2025, performance guarantees were in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A. ("Ecopetrol") joint venture blocks in the amount of $235.1 million (December 31, 2024 - $160.7 million) to support the exploration work commitments on its Colombian concessions. The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The value of the Company's exploration commitments as at December 31, 2025 in respect of the Colombia work commitments under E&P contracts, joint venture farm-in arrangements and business collaboration agreements are estimated to be as follows:

(000s)		
2026	$	59,737
2027		130,645
2028		100,515
2029		5,845
2030		—
Thereafter		456,746
Total	**$**	**753,488**

b) Operating leases

In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations.

The existing minimum lease payments for office space and accommodations at December 31, 2025 are as follows:

(000s)		Total	2026	2027	2028	2029	2030	Thereafter
Office and accommodations	$	6,966	2,987	2,034	778	778	389	—

30. Related Party Disclosures

a) Significant Subsidiaries

The consolidated financial statements include the financial statements of Parex Resources Inc. at December 31, 2025 and 2024. Transactions between subsidiaries are eliminated upon consolidation.

b) Compensation of Key Management Personnel

Key management personnel compensation, including directors, is as follows:

For the year ended December 31,		**2025**		2024
Salaries, directors' fees and other benefits	**$**	**4,306**	$	4,356
Equity settled share-based compensation		**439**		478
Cash settled share-based compensation		**4,568**		5,846
Total	**$**	**9,313**	$	10,680

c) Other transactions

The Company did not have any related party transactions with entities outside the consolidated group for the years ended December 31, 2025 and 2024.

31. Subsequent Events

NCIB

On January 22, 2026, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 9,407,490 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The NCIB will terminate on January 21, 2027.

Proposal

On February 23, 2026, the Company announced that it has submitted an acquisition proposal (the "Proposal") to the Board of Directors of Frontera Energy Corporation (TSX: FEC) ("Frontera") to acquire all of Frontera's Colombian upstream business in an all-cash offer for consideration of $500 million, plus the assumption of debt, in addition to a contingent payment of $25 million.

Binding Proposal

On March 2, 2026, the Company submitted a binding acquisition proposal (the "Binding Proposal") to the Board of Frontera Energy Corporation (TSX: FEC) ("Frontera") to acquire all of Frontera's Colombian upstream business in an all-cash offer for consideration of $500 million, plus the assumption of debt, in addition to a contingent payment of $25 million. On the same day, Frontera provided an update on the previously-announced non-binding proposal by Parex, acknowledging receipt of a binding offer of $525 million and awaiting confirmation of certain terms.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or the "Company") for the three months and years ended December 31, 2025 and 2024 is dated March 3, 2026 and should be read in conjunction with the audited consolidated financial statements as at and for the years ended December 31, 2025 and 2024 (the "audited consolidated financial statements"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Additional information related to Parex is included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated March 3, 2026 (the "AIF"), and may be accessed through the SEDAR+ website at www.sedarplus.ca.

All financial amounts are in United States (US) dollars unless otherwise stated.

Company Profile

Parex is one of the largest independent oil and gas companies in Colombia, focusing on sustainable conventional production. The Company's corporate headquarters are in Calgary, Canada, with an operating office in Bogotá, Colombia. Parex shares trade on the Toronto Stock Exchange under the symbol PXT.

Abbreviations

Refer to the final page of the MD&A for commonly used abbreviations in the document. Refer to the Advisory on Forward-Looking Statements and Non-GAAP and Other Financial Measures Advisory.

References to crude oil or natural gas production in this MD&A refer to the light and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities ("NI 51-101").*

2025 Highlights

- Crude oil and natural gas production for the year averaged 44,701 boe/d, achieving annual guidance range of 43,000 to 47,000 boe/d, compared to 2024 average production of 49,924 boe/d. Refer to "Consolidated Results of Operations" for production split by product type.
- Realized net income of $255.1 million ($2.62 per share basic), compared to net income of $60.7 million ($0.60 per share basic) in 2024. The increase from the prior year is largely related to a decrease in tax expense and impairment expense, partially offset by a decrease in oil revenues from lower oil volumes sold and a decrease in realized sales price.
- Generated annual funds flow provided by operations ("FFO")[(1)] of $455.0 million ($4.68 per share basic[(2)]), compared to $622.2 million ($6.14 per share basic[(2)]) in 2024.
- Produced an operating netback of $35.52boe[(2)] (2024 - $41.30/boe[(2)]) and an FFO netback of $28.00/boe[(2)] (2024 - $33.95/boe[(2)]) from an average Brent crude oil price of $68.19/bbl (2024 - $79.86/bbl).
- Incurred capital expenditures[(3)] of $310.3 million (2024 - $347.7 million).
- Generated $144.7 million of free funds flow[(3)] that was used for return of capital initiatives and $27.0 million of bank debt repayment; at December 31, 2025, bank debt was $33.0 million; working capital surplus[(1)] was $28.0 million and cash was $58.3 million.
- Paid a C$1.54 per share[(4)] regular dividend and repurchased 2,364,900 shares pursuant to the Company's normal course issuer bid ("NCIB"). A total of $134.2 million was returned to shareholders through dividends of $107.7 million and share repurchases of $26.5 million.

Three Months Ended December 31, 2025 ("fourth quarter" or "Q4") Highlights

- Crude oil and natural gas production in Q4 2025 averaged 48,606 boe/d. Average production in 2025 increased 7% compared to 2024 average production of 45,297 boe/d. Refer to "Consolidated Results of Operations" for production split by product type.
- Recognized net income of $74.9 million ($0.78 per share basic) compared to a net loss of $69.1 million ($0.70 per share basic) in 2024. The increase from the prior year is largely related to a decrease in tax expense and impairment expense.
- Generated quarterly FFO(1) of $122.9 million ($1.28 per share basic(2)), compared to $141.2 million ($1.43 per share basic(2)) in the fourth quarter of 2024.
- Produced an operating netback(2) of $32.10/boe (Q4 2024 - $34.90/boe) and an FFO netback(2) of $28.19/boe (Q4 2024 - $32.39/boe) from an average Brent crude oil price of $63.08/bbl (2024 - $74.01/bbl).
- Generated $38.3 million of free funds flow(3) that was used for return of capital initiatives.
- Paid a C$0.385 per share(4) regular quarterly dividend and repurchased 580,000 shares pursuant to the Company's NCIB.

(1) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(4) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Financial Summary

	For the three months ended December 31,		For the year ended December 31,		
(Financial figures in $000s except per share amounts)	**2025**	2024	**2025**	2024	2023
Light Crude Oil and Medium Crude Oil (bbl/d)	**14,835**	9,550	**11,635**	8,850	8,417
Heavy Crude Oil (bbl/d)	**32,267**	34,882	**31,887**	40,336	45,163
Average oil production (bbl/d)(1)	**47,102**	44,432	**43,522**	49,186	53,580
Average conventional natural gas production (mcf/d)(1)	**9,024**	5,190	**7,071**	4,428	4,656
Average oil and natural gas production (boe/d)	**48,606**	45,297	**44,701**	49,924	54,356
Production split (% crude oil)	**97**	98	**97**	99	99
Oil and natural gas sales price ($/boe)(6)	**57.05**	63.73	**61.90**	69.80	70.71
Operating netback ($/boe)(1)	**32.10**	34.90	**35.52**	41.30	44.55
Oil and natural gas sales	**248,713**	277,824	**1,005,842**	1,280,029	1,408,703
Funds flow provided by operations(7)	**122,922**	141,201	**454,985**	622,233	667,782
Per share – basic(1)(3)	**1.28**	1.43	**4.68**	6.14	6.29
Per share – diluted(1)(3)	**1.28**	1.43	**4.68**	6.14	6.28
Net income (loss)	**74,865**	(69,051)	**255,083**	60,680	459,309
Per share – basic(3)	**0.78**	(0.70)	**2.62**	0.60	4.32
Per share – diluted(3)	**0.78**	(0.70)	**2.62**	0.60	4.32
Dividends paid	**26,853**	26,658	**107,671**	112,184	118,676
Per share – Cdn$(3)(6)	**0.385**	0.385	**1.54**	1.53	1.50
Shares repurchased	**7,644**	16,408	**26,514**	73,789	105,068
Number of shares repurchased (000s)	**580**	1,692	**2,365**	5,495	5,628
Capital expenditures(2)	**84,620**	82,110	**310,325**	347,695	483,343
Long-term inventory expenditures, net of transfers and sales	**(7,678)**	(2,569)	**(17,578)**	4,773	39,430
Free funds flow (2)	**38,302**	59,091	**144,660**	274,538	184,439
EBITDA(2)	**104,764**	(10,419)	**481,444**	545,362	650,829
Adjusted EBITDA(2)	**128,653**	137,312	**512,937**	720,089	817,280
Total assets (end of period)	**2,341,092**	2,155,062	**2,341,092**	2,155,062	2,415,327
Working capital surplus (end of period)(4)(7)	**28,027**	59,397	**28,027**	59,397	79,027
Bank debt (end of period)(5)	**33,000**	60,000	**33,000**	60,000	90,000
Weighted average shares outstanding (000s)					
Basic	**96,239**	99,063	**97,176**	101,414	106,247
Diluted	**96,374**	99,063	**97,223**	101,414	106,295
Outstanding shares (end of period) (000s)	**95,974**	98,339	**95,974**	98,339	103,812

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(4) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(5) Syndicated bank credit facility borrowing base of $240.0 million as at December 31, 2025 (December 31, 2024 - $240.0 million).
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(7) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".

2025 Guidance vs Actuals

The table below is a summary of Parex's annual guidance for 2025 and a review of actual results:

Category	2025 Guidance (January 14, 2025)	2025 Actuals	% variance from 2025 Guidance - midpoint
Brent Crude Oil Average Price ($/bbl)	70	**68**	(3)
Average Production (boe/d)[1]	43,000-47,000	**44,701**	(1)
Funds Flow Provided by Operations Netback ($/boe)[3]	26-28	**28**	4
Funds Flow Provided by Operations ($ millions)[4]	425-465	**455**	2
Capital Expenditures ($ millions)[2]	285-315	**310**	3
Free funds Flow (mid-points) ($ millions)[2]	145	**145**	—
Current tax effective rate on FFO midpoint (%)[5]	3-6%	**7%**	40

(1) Refer to "Consolidated Results of Operations" for annual production split by product type.
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(5) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

In 2025, Brent crude prices were slightly below Parex's guidance. Average production volumes were within the guidance range, slightly below the midpoint, and capital expenditures were also within the budgeted range, consistent with midpoint production levels. Funds flow provided by operations and FFO netback were near the upper end of the 2025 guidance range, primarily due to favourable Vasconia differentials and lower than expected operated production expense. Lower operated production expense was driven by increased production from development activities, the LLA-32 tuck-in acquisition and new production from LLA-74, which improved fixed cost absorption, in addition to corporate efficiency initiatives implemented to reduce fixed and variable production costs.

Return of Capital to Shareholders

Parex looks to provide competitive return of capital to shareholders through dividends and share repurchases, while investing in the Company's assets to provide a total shareholder return. In 2025 Parex bought back 2% of its outstanding shares under the Company's NCIB and paid an annual dividend of C$1.54, which delivered a total return of capital of $134.2 million to shareholders during the year.

2026 Guidance

The following table summarizes the Company's 2026 annual guidance:

Category	2026 Guidance (January 19, 2026)
Brent Crude Oil Average Price ($/bbl)	60
Average Production (boe/d)[1]	45,000-49,000
Funds Flow provided by operations netback ($/boe)[1][3]	23-24
Funds flow provided by operations ($ millions)[4]	385-420
Capital Expenditures ($ millions)[1][2]	280-320
Free funds flow (mid-point) ($ millions)[1][2]	105
Current tax effective rate on FFO midpoint (%)[1][5]	1-3%

(1) See the Company's January 19, 2026 news release for additional details on 2026 corporate guidance and netback sensitivity estimates.
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(5) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Financial and Operational Results

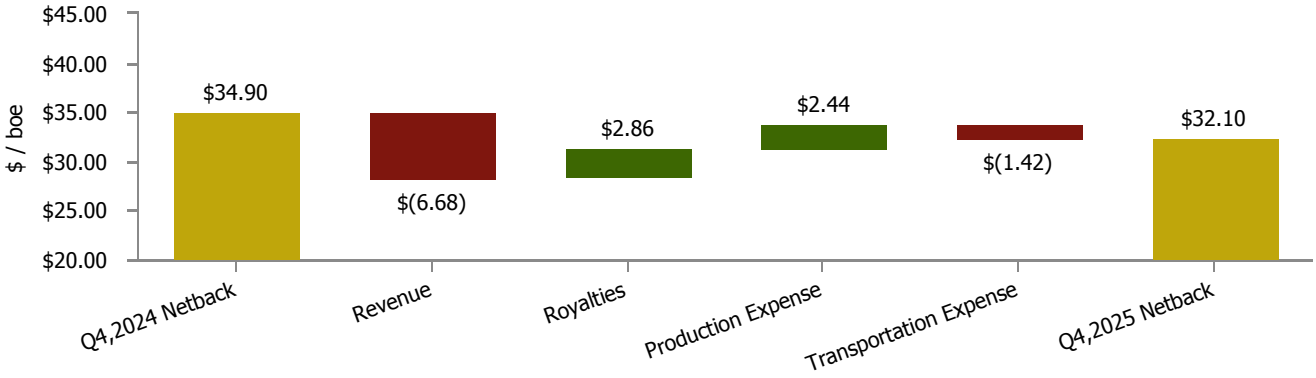
Consolidated Results of Operations

Parex's oil and gas operations are conducted in Colombia with head office functions conducted in Canada.

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Average daily production				
Light Crude and Medium Crude Oil (bbl/d)	**14,835**	9,550	**11,635**	8,850
Heavy Crude Oil (bbl/d)	**32,267**	34,882	**31,887**	40,336
Crude oil (bbl/d)	**47,102**	44,432	**43,522**	49,186
Conventional Natural Gas (mcf/d)	**9,024**	5,190	**7,071**	4,428
Total (boe/d)	**48,606**	45,297	**44,701**	49,924
Production split (% crude oil production)	**97**	98	**97**	99
Average daily sales of oil and natural gas				
Produced crude oil (bbl/d)	**45,885**	46,520	**43,335**	49,342
Purchased crude oil (bbl/d)	**—**	—	**3**	28
Produced natural gas (mcf/d)	**9,024**	5,190	**7,071**	4,428
Total (boe/d)	**47,389**	47,385	**44,517**	50,108
Operating netback (000s)				
Oil and natural gas sales	**$ 248,713**	$ 277,824	**$ 1,005,842**	$ 1,280,029
Royalties	**(28,649)**	(41,094)	**(126,752)**	(201,418)
Net revenue[4]	**220,064**	236,730	**879,090**	1,078,611
Production expense	**(57,073)**	(67,708)	**(225,543)**	(255,278)
Transportation expense	**(23,081)**	(16,877)	**(76,444)**	(65,745)
Purchased oil expense	**—**	(59)	**(162)**	(904)
Operating netback[1]	**$ 139,910**	$ 152,086	**$ 576,941**	$ 756,684
Operating netback (per boe)				
Brent ($/bbl)	**$ 63.08**	$ 74.01	**$ 68.19**	$ 79.86
Parex price differential	**(6.03)**	(10.28)	**(6.29)**	(10.06)
Oil and natural gas sales[2]	**$ 57.05**	$ 63.73	**$ 61.90**	$ 69.80
Royalties[2]	**(6.57)**	(9.43)	**(7.80)**	(10.99)
Net revenue[2]	**50.48**	54.30	**54.10**	58.81
Production expense[2]	**(13.09)**	(15.53)	**(13.88)**	(13.93)
Transportation expense[2]	**(5.29)**	(3.87)	**(4.70)**	(3.58)
Operating netback[3]	**$ 32.10**	$ 34.90	**$ 35.52**	$ 41.30

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Net revenue for the year ended December 31, 2023 was $1,164.0 million.

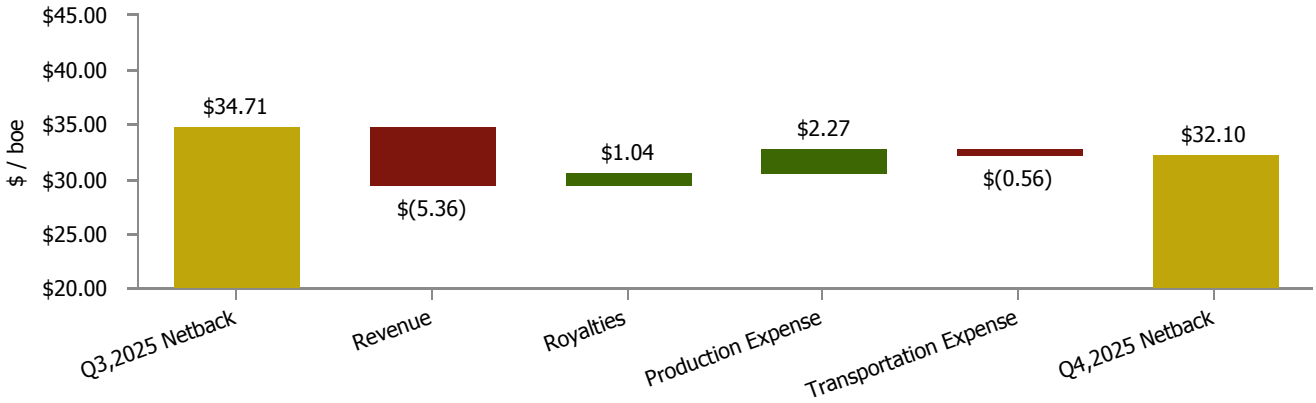
Change in Operating Netback by Component
Q4/24 vs. Q4/25



In the fourth quarter of 2025, the Company's benchmark Brent oil price decreased by $10.93/bbl, while revenue decreased by $6.68/boe as compared to the fourth quarter of 2024. The increase in revenue relative to the Brent crude oil benchmark decrease was attributed to improved location and quality differentials. Royalties decreased by $2.86/boe compared to the fourth quarter of 2024 as a result of lower production in areas where high price share royalties are applicable and a decrease in world oil prices. Production expense decreased by $2.44/boe compared to the fourth quarter of 2024 due to lower electrical power costs, reduced well workover and facility maintenance costs, and improved fixed cost absorption, partially offset by the appreciation of the Colombian peso. Transportation expense in the quarter increased by $1.42/boe compared to the fourth quarter of 2024 due to an increase in oil volumes transported by truck, higher gas volumes transported, and the appreciation of the Colombian peso.

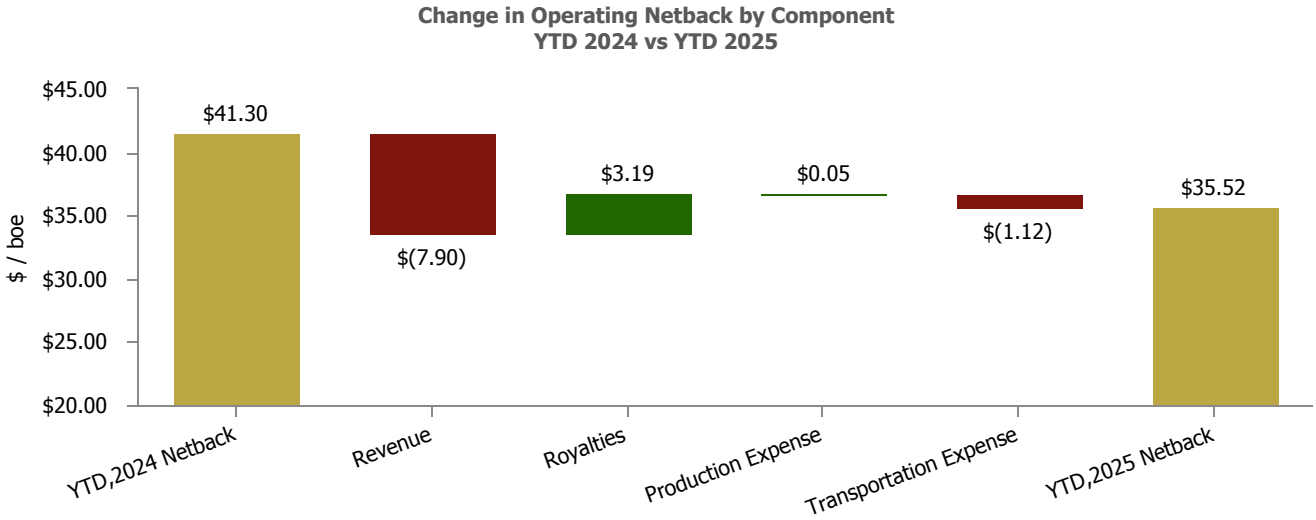
Overall, the operating netback decreased by $2.80/boe compared to a Brent benchmark crude price decrease of $10.93/bbl.

Change in Operating Netback by Component
Q3/25 vs. Q4/25



In the fourth quarter of 2025, the Company's benchmark Brent oil price decreased by $5.09/bbl, while revenue decreased by $5.36/boe compared to the third quarter of 2025. The decrease in revenue relative to the Brent crude oil benchmark decrease was mainly a result of increased location and quality differentials. Royalties decreased by $1.04/boe as a result of lower production in areas where high price share royalties are applicable and a decrease in world oil prices. Production expense decreased by $2.27/boe due to lower electrical power costs, reduced well workover and facility maintenance costs, and improved fixed cost absorption, partially offset by the appreciation of the Colombian peso. Transportation expense in the quarter increased by $0.56/boe compared to the third quarter of 2025 due to an increase in oil volumes transported by truck, higher gas volumes transported, and the appreciation of the Colombian peso.

Overall, the operating netback decreased by $2.61/boe compared to a Brent benchmark crude price decrease of $5.09/bbl.



In 2025, the Company's benchmark Brent price decreased by $11.67/bbl, while revenue decreased by $7.90/boe compared to 2024. The increase in revenue relative to the Brent crude benchmark decrease was mainly the result of improved location and quality differentials. Royalties decreased by $3.19/boe as a result of lower production in areas where high price share royalties are applicable and a decrease in world oil prices. Production expense in 2025 decreased by $0.05/boe due to lower well workover and facility maintenance costs and improved fixed cost absorption, partially offset by higher electrical power costs, increased non-operated production expenses, and the appreciation of the Colombian peso. Transportation expense in 2025 increased by $1.12/boe compared to 2024 due to an increased in oil volumes transported by truck, higher gas volumes transported, and the appreciation of the Colombian peso.

Overall, the operating netback decreased by $5.78/boe compared to a Brent benchmark crude price decrease of $11.67/bbl.

Oil and Natural Gas Sales

a) Average Daily Production and Sales Volumes (boe/d)

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Block LLA-34	**19,719**	23,633	**21,033**	26,466
Southern Llanos Basin	**22,470**	15,227	**16,767**	16,550
Northern Llanos Basin	**2,848**	3,260	**3,556**	4,022
Magdalena Basin	**2,065**	2,312	**2,166**	2,148
Total Crude Oil Production	**47,102**	44,432	**43,522**	49,186
Natural gas production	**1,504**	865	**1,179**	738
Total crude oil and natural gas production	**48,606**	45,297	**44,701**	49,924
Crude oil inventory draw (build)	**(1,217)**	2,088	**(187)**	156
Average daily sales of produced oil and natural gas	**47,389**	47,385	**44,514**	50,080
Purchased oil	**—**	—	**3**	28
Sales Volumes	**47,389**	47,385	**44,517**	50,108
Average daily sales of produced oil and natural gas - operated	**28,038**	23,014	**23,817**	23,699
Average daily sales of produced oil and natural gas - non-operated	**19,351**	24,371	**20,697**	26,381
Average daily sales of produced oil and natural gas	**47,389**	47,385	**44,514**	50,080

Crude oil and natural gas production for the fourth quarter of 2025 averaged 48,606 boe/d. Q1 2026 production, through February 28, 2026, has averaged approximately 46,150 boe/d[(1)].

(1) Estimated average production for January 1, 2026 to February 28, 2026; light & medium crude oil: ~14,805 bbl/d, heavy crude oil: ~30,637 bbl/d, conventional natural gas: ~8.568 mcf/d; rounded for presentation purposes.

Fourth quarter of 2025 crude oil and natural gas production averaged 48,606 boe/d, an increase of approximately 7% from the fourth quarter of 2024 production of 45,297 boe/d and an increase of approximately 11% from the third quarter of 2025 production of 43,953 boe/d. Refer to "Summary of Quarterly Results" for production split by product type for third quarter 2025 production.

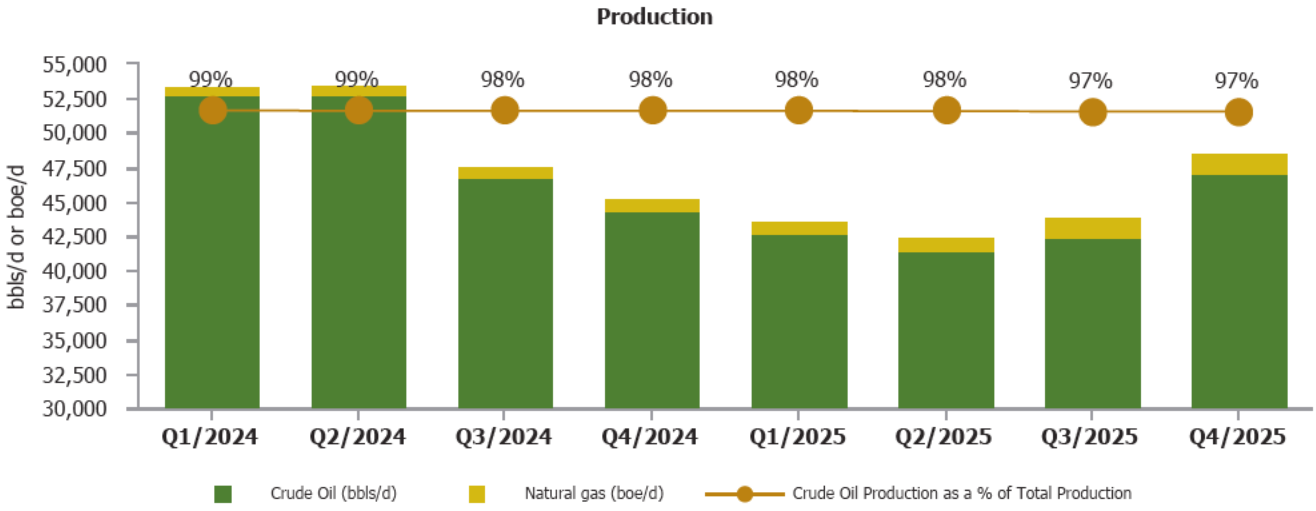
The increase in oil and natural gas production in the fourth quarter of 2025 compared to the fourth quarter of 2024 is mainly the result of new added production from Block LLA-74 and LLA-32 in the Southern Llanos Basin and an increase in gas production at VIM-1 in the Magdalena Basin. This was partially offset by decreased oil production from Block LLA-34 and the Cabrestero Block in the Southern Llanos Basin, mainly as a result of natural declines and a reduced level of development activity, consistent with lower capital spending. Production in the Northern Llanos Basin in the fourth quarter of 2025 was impacted by operational downtime on the Capachos Block, partially offset by increased production in Arauca.

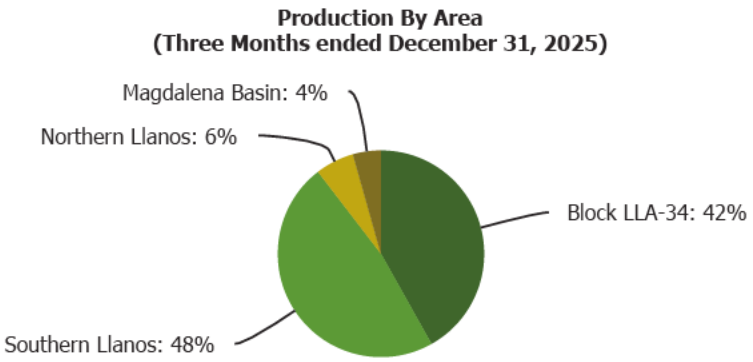
The decrease in oil and natural gas production for full year 2025 compared to full year 2024 is mainly the result of natural declines and a reduced level of development activity at Block LLA-34 and the Cabrestero Block in the Southern Llanos Basin, consistent with lower capital spending. Production in the Northern Llanos Basin in 2025 decreased in the Arauca Block. These production declines were partially offset by newly added production from Block LLA-74 and LLA-32 in the Southern Llanos Basin and an increase in gas production at VIM-1 in the Magdalena Basin.

The increase in oil and natural gas production in the fourth quarter of 2025 compared to the third quarter of 2025 is mainly the result of new added production from Block LLA-74 and LLA-32 in the Southern Llanos Basin.

Oil and natural gas sales in the fourth quarter of 2025 were 47,389 boe/d compared to 47,385 boe/d for the fourth quarter of 2024.

Refer to "Consolidated Results of Operations" for annual production split by product type.





b) Crude Oil Reference and Realized Prices

Average price for the period	**Q4 2025**	Q3 2025	Q2 2025	Q1 2025	Q4 2024
Brent ($/bbl)	**63.08**	68.17	66.71	74.98	74.01
Parex location (Vasconia) and quality differential ($/bbl)	**(3.03)**	(1.94)	(1.87)	(2.26)	(5.16)
Parex wellhead sales discount ($/bbl)	**(3.35)**	(3.91)	(3.77)	(5.67)	(4.84)
Parex realized oil sales price ($/bbl)[2]	**56.70**	62.32	61.07	67.05	64.01
Parex realized price (differential) to Brent crude ($/bbl)	**(6.38)**	(5.85)	(5.64)	(7.93)	(10.00)
Parex transportation expense ($/bbl)[1][2]	**(5.47)**	(4.88)	(4.58)	(4.34)	(3.96)
Parex price differential and transportation expense ($/bbl)[2]	**(11.85)**	(10.73)	(10.22)	(12.27)	(13.96)

(1) Applies only to direct export cargo sales where Parex incurs the pipeline fees directly. See "Transportation Expense".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

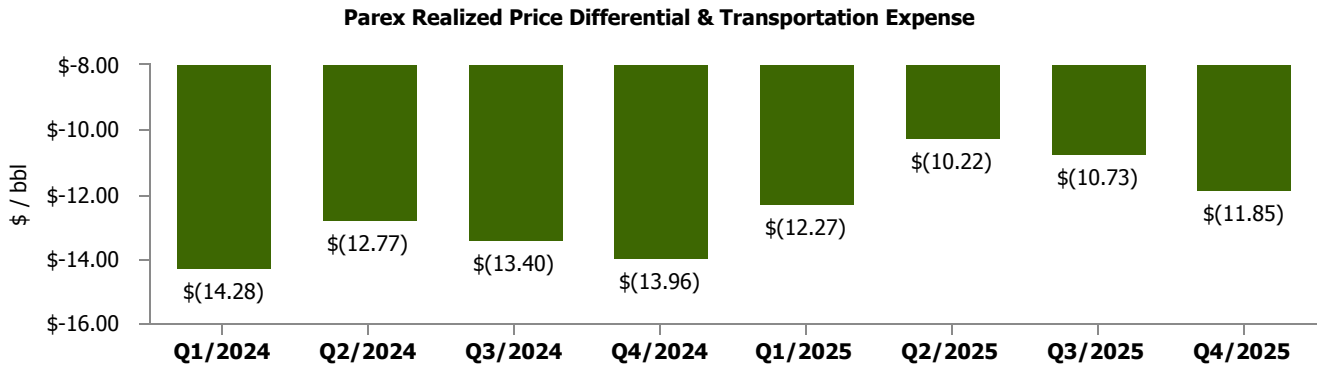
During the fourth quarter of 2025, the differential between Brent reference pricing and the Company's realized oil sale price was $6.38/bbl. The differential to Brent crude during the fourth quarter of 2025 increased by $0.53/bbl compared to the third quarter of 2025 where the differential was $5.85/bbl. Compared to the fourth quarter of 2024 Parex's realized price improved from a differential of $10.00/bbl to $6.38/bbl, which was mainly driven by improved location and quality differentials, due to narrower heavy oil differentials and reduced wellhead sales in favour of direct export sales.

Differences between Parex's realized price and Brent crude price is mainly related to location and quality adjustments, wellhead sale marketing contracts, and the timing of oil sales compared to quarter averages. The location and quality differential between Brent crude pricing also affects Parex's realized sales price and is set in liquid global markets and therefore attributed to factors that are beyond the Company's control making it inherently difficult to forecast.

Parex's realized price differential to Brent crude can fluctuate period over period due to, among other factors, the type of sales contract and the accounting treatment for oil sold at the wellhead versus direct export sales contracts.

The fourth quarter 2025 differential of $3.03/bbl was an improvement from the fourth quarter 2024 differential of $5.16/bbl and was likely the result of market uncertainty regarding availability of medium/heavy crude oil specifically from Mexico and Venezuela, and tariff tensions impacting world crude pricing.

The Vasconia differential to Brent can fluctuate with oil market conditions and for the month of February 2026 was approximately $7.50/bbl, having widened significantly following ongoing macroeconomic volatility and expectations around incremental heavy oil supply.



c) Natural Gas Sales and Realized Prices

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Natural gas sales ($000s)	**$ 9,371**	$ 3,876	**$30,155**	$ 12,851
Realized sales price ($/Mcf)[1]	**11.29**	8.12	**11.68**	7.93

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Parex natural gas sales were $9.4 million and $30.2 million for the three months and year ended December 31, 2025 compared to $3.9 million and $12.9 million in the same periods of 2024. The increase in natural gas sales from the prior periods is primarily related to increased volumes sold from the Capachos and VIM-1 Blocks and increase in realized gas sales price.

d) Oil and Natural Gas Sales

In 2025 oil and natural gas sales decreased by $274.2 million or 21% as reconciled in the table below to 2024:

($000s)		
Oil and natural gas sales, year ended December 31, 2024	**$**	**1,280,029**
Sales volume of produced oil, a decrease of 12% (6,007 bbl/d)		**(157,214)**
Sales volume of purchased oil, a decrease of 89% (25 bbl/d)		**(642)**
Sales price decrease of 12%		**(133,635)**
Sales volume and price change of produced natural gas		**17,304**
Oil and natural gas sales, year ended December 31, 2025	**$**	**1,005,842**

Oil and natural gas sales decreased year over year mainly due to lower oil volumes sold and a decrease in world oil prices.

e) Crude Oil Inventory in Transit

As at December 31, ($000s)	**2025**	2024
Crude oil in transit	**$ 4,327**	$ 2,017

As at December 31, 2025, the Company had 116.9 mbbls (December 31, 2024 - 48.5 mbbls) of crude oil inventory in transit, which was injected into Colombian pipelines. The inventory was valued based on direct and indirect expenditures (including production costs, transportation costs, depletion expense and royalty expense) at approximately $37/bbl ($42/bbl - 2024) incurred in bringing the crude oil to its existing condition and location.

A reconciliation of quarter-to-quarter crude oil inventory movements is provided below:

For the periods ended (mbbls)	**Dec. 31, 2025**	Sep. 30, 2025	Jun. 30, 2025	Mar. 31, 2025
Crude oil inventory in transit - beginning of the period	**4.9**	5.5	31.3	48.5
Oil production	**4,333.4**	3,914.7	3,780.6	3,857.1
Oil sales	**(4,221.4)**	(3,915.3)	(3,806.4)	(3,875.6)
Purchased oil	**—**	—	—	1.3
Crude oil inventory in transit (overlift) - end of the period	**116.9**	4.9	5.5	31.3
% of period production	**2.7**	0.1	0.1	0.8

Crude oil inventory build (and draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export. The Company expects crude oil inventory in future periods to be in line with normal historic levels of below 5% of period production.

f) Purchased Oil

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Purchased oil expense ($000s)	**$ —**	$ 59	**$ 162**	$ 904

Purchased oil expense has decreased compared to the same periods of 2024 as a result of a decrease in oil blending operations and purchases of partner crude oil. Transportation costs are incurred by the Company to transport purchased oil to sale delivery points.

g) Other Revenue

The Company's other revenue includes pipeline transportation revenue and revenue related to energy generation and use of infrastructure.

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Other revenue	**$ 2,827**	$ 2,739	**$ 9,826**	$ 8,157

Royalties

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Base royalties[(1)]	**$ 19,952**	$ 22,883	**$ 80,863**	$ 106,980
Economic rights[(2)]	**8,697**	18,211	**45,889**	94,438
Royalties ($000s)	**$ 28,649**	$ 41,094	**$ 126,752**	$ 201,418
Per unit ($/boe)[(3)]	**6.57**	9.43	**7.80**	10.99
Percentage of sales[(3)]	**12**	15	**13**	16

(1) Base royalties are sliding scale royalties based on field production and payable to the Colombian National Hydrocarbon Agency ("ANH"). Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.

(2) Economic rights include high price share royalties applicable to production in excess of 5 million barrels of oil and X-Factor royalties are an additional royalty applicable to heavy oil production, both payable to ANH. Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.

(3) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

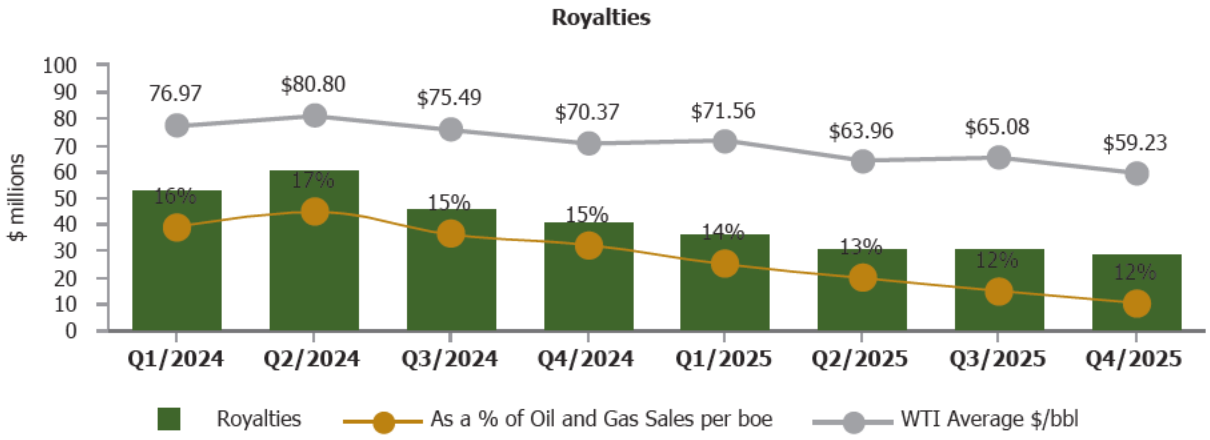
Royalty expense was $28.6 million and $126.8 million in the three months and year ended December 31, 2025, respectively, compared to $41.1 million and $201.4 million for the 2024 comparative periods.

Royalties as a percentage of sales were 12% and 13% in the three months and year ended December 31, 2025, respectively, compared to 15% and 16% for the 2024 comparative periods.

The decrease in royalty expense and royalties as a percentage of sales compared to 2024 was primarily attributable to lower production and a decrease in world oil prices in 2025. Royalties decreased in areas where high price share royalties are applicable as a result of lower production and Benchmark WTI prices.

Benchmark WTI prices are used in the high price share royalty ("HPR") calculation. Effectively higher realized WTI oil prices result in a higher royalty percentage realized. Benchmark WTI prices for the three months and year ended December 31, 2025 were $59.23 and $63.05 compared to $70.37 and $75.90 for the 2024 comparative periods and $65.08 in the third quarter of 2025.

For further information concerning the HPR please refer to the Company's AIF which may be accessed through the SEDAR+ website at www.sedarplus.ca where the calculation is described as a "High Price Share Royalty" in the "Industry Conditions - Colombia - High Price Participation" section.



Production Expense

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Production expense ($000s)	**$ 57,073**	$ 67,708	**$ 225,543**	$ 255,278
Per unit ($/boe)[1]	**13.09**	15.53	**13.88**	13.93

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

A breakdown of the production expense on a per boe basis between operated and non-operated fields is provided below:

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Operated production expense per unit ($/boe)[1]	**10.79**	18.93	**13.07**	16.51
Non-operated production expense per unit ($/boe[1]	**16.42**	12.32	**14.82**	11.64

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Production expense for the three months and year ended December 31, 2025 was $13.09/boe and $13.88/boe compared to $15.53/boe and $13.93/boe for the three months and year ended December 31, 2024. Production expense for the third quarter of 2025 was $15.36/boe.

Operated properties production expense for the three months and year ended December 31, 2025 was $10.79/boe and $13.07/boe compared to $18.93/boe and $16.51/boe for the three months and year ended December 31, 2024. Operated properties production expense per boe decreased for the year ended December 31, 2025, compared to 2024, primarily due to increased production from development activities, the LLA-32 tuck-in acquisition and new production from LLA-74, which improved fixed cost absorption. Also during 2025 corporate efficiency initiatives were implemented to reduce fixed and variable production costs.

Non-operated properties production expense for the three months and year ended December 31, 2025 was $16.42/boe and $14.82/boe compared to $12.32/boe and $11.64/boe for the three months and year ended December 31, 2024. Non-operated properties production expense per boe has increased for the year ended December 31, 2025 compared to 2024 mainly as a result of decreased production resulting in reduced fixed cost absorption and the one-time non-recurring production cost adjustment that reflects a true-up to actual costs incurred to date for non-operated activities.

The table below provides a reconciliation of the increase in production expense per boe by main components:

	Q4 2025 vs Q3 2025	Q4 2025 vs Q4 2024	YTD 2025 vs YTD 2024
Comparative period production expense per boe[(1)]	**$ 15.36**	**$ 15.53**	**$ 13.93**
Power generation	**(1.26)**	**(2.39)**	**0.15**
Well workovers and facility maintenance	**(0.41)**	**(1.16)**	**(0.09)**
Colombian pesos ("COP") appreciation	**0.57**	**1.86**	**0.07**
Non-recurring non-operated production cost adjustment	**(0.89)**	**—**	**0.22**
Fixed cost absorption	**(0.45)**	**(1.05)**	**(0.31)**
Other variable costs	**0.17**	**0.30**	**(0.09)**
Current year production expense per boe[(1)]	**$ 13.09**	**$ 13.09**	**$ 13.88**

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

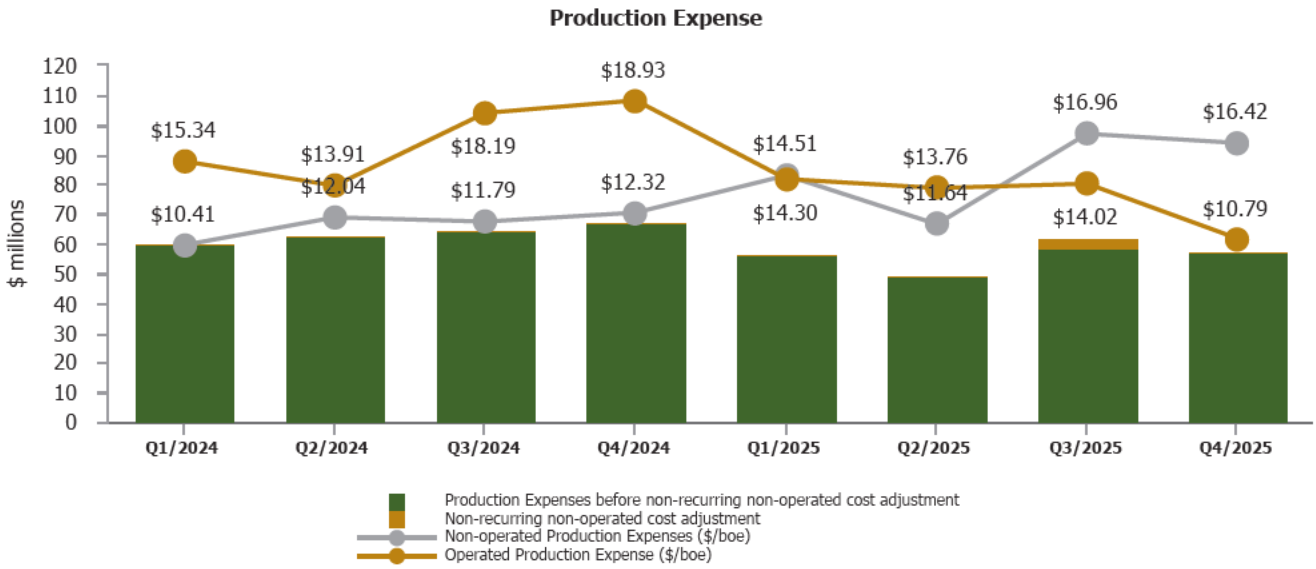
The decrease in production expense for the three months ended December 31, 2025 over the 2024 comparative period is mainly the result of lower electrical power costs used to power field operations, reduced well workovers and facility maintenance costs, and improved fixed costs absorption due to corporate efficiency initiatives that were implemented. In addition, higher production levels allowed fixed and variable costs to be spread over more production, reducing the per-boe cost. These decreases were partially offset by the appreciation of the COP.

The decrease in production expense for the year ended December 31, 2025 over the 2024 comparative period is mainly the result of improved fixed costs absorption due to corporate efficiency initiatives that were implemented and lower well workovers and facility maintenance costs. This was partially offset by higher electrical power costs used to power field operations, the one-time nonrecurring non-operated production cost adjustment and the appreciation of the COP.

Compared to the third quarter of 2025, fourth quarter 2025 production expense per boe has decreased due to lower electrical power costs, reduced well workovers and facility maintenance costs, a reduction in non-operated production costs and improved fixed cost absorption, partially offset by the appreciation of the COP.

Colombia’s electricity grid is heavily reliant on hydroelectric power which exposes the Company to fluctuations in power prices due to changes in rainfall and water reservoir levels, as well as electricity supply and demand. During 2024, Colombia experienced an El Niño-induced drought that led to an escalation in power costs across the country. During the first quarter of 2025 power costs began to decrease due to more rainfall in the country, which replenished reservoirs used for hydroelectric power generation, causing power costs to decrease substantially for the remainder of the year. Currently, power costs have declined from the elevated levels seen in late 2024 and are more in line with historical norms.

Production expense per boe is estimated to be approximately $13-16/boe during 2026 per the guidance provided on January 19, 2026.



Transportation Expense

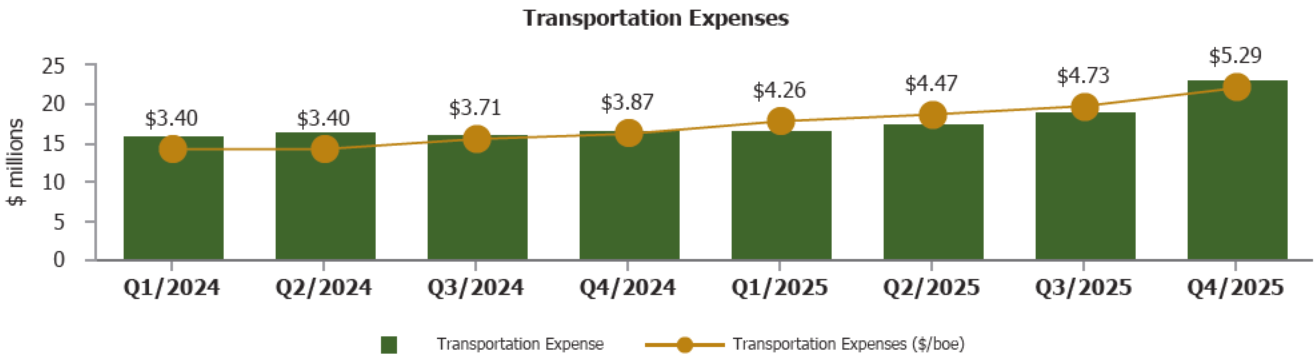
	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Transportation expense ($000s)	**$ 23,081**	$ 16,877	**$ 76,444**	$ 65,745
Per unit ($/boe)[(1)]	**5.29**	3.87	**4.70**	3.58

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Transportation expense includes trucking costs incurred to transport production to several offloading stations for sale and in some instances an oil transportation tariff from delivery point to the buyer's facility and pipeline tariffs.

For the three months ended December 31, 2025, transportation expense of $5.29/boe increased from $4.73/boe for the third quarter of 2025 and $3.87/boe for the comparative period in 2024. On a year-to-date basis transportation expense was $4.70/boe compared to $3.58/boe in the comparative period in 2024. Transportation expense increased due to an increase in oil volumes transported by truck, higher gas volumes transported from increased gas production at the Capachos and VIM-1 Blocks, and the appreciation of the Colombian peso. The higher trucked oil volumes are associated with additional production from Azogue on Block LLA-32 and new production from Block LLA-74. Transportation expense will fluctuate period over period due the mix of sales contracts types in force during the period.

The combined transportation expense and price differential from Brent for the fourth quarter of 2025, on a per boe basis, has decreased from the fourth quarter of 2024 and increased from the third quarter of 2025. See "Crude Oil Reference and Realized Prices".



General and Administrative Expense ("G&A")

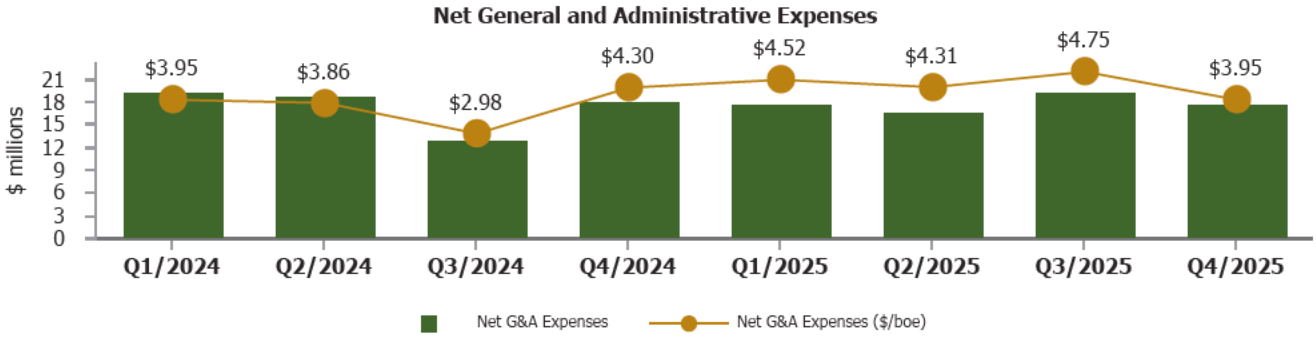
	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Gross G&A	**$ 23,648**	$ 21,650	**$ 87,779**	$ 81,288
G&A recoveries	**(1,985)**	(879)	**(5,642)**	(3,796)
Capitalized G&A	**(4,006)**	(2,871)	**(10,811)**	(8,584)
Net G&A expense	**$ 17,657**	$ 17,900	**$ 71,326**	$ 68,908
Per unit ($/boe) [(1)]	**3.95**	4.30	**4.37**	3.77

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Net G&A was $17.7 million and $71.3 million for the three months and year ended December 31, 2025 compared to $17.9 million and $68.9 million for the same periods in 2024. Gross G&A was $23.6 million and $87.8 million for the three months and year ended December 31, 2025 (three months and year ended December 31, 2024 - $21.7 million and $81.3 million).

On a per boe basis net G&A in 2025 increased by 16% to $4.37 from $3.77 in 2024 mainly as a result of lower production resulting in increased per boe costs.

The Company's G&A expense is mainly denominated in local currencies of COP and Canadian dollars ("Cdn") which as they appreciate/ depreciate have an impact on G&A expense. Refer to the "Foreign Exchange Sensitivity Analysis" for further information.



Share-Based Compensation

($000s)	For the three months ended December 31, 2025	2024	For the year ended December 31, 2025	2024
Equity settled share-based compensation expense	**$ 183**	$ 223	**$ 714**	$ 878
Cash settled share-based compensation expense	**9,863**	5,926	**29,802**	584
Total share-based compensation expense	**$ 10,046**	$ 6,149	**$ 30,516**	$ 1,462

Share-based compensation expense was $10.0 million and $30.5 million for the three months and year ended December 31, 2025 compared to $6.1 million and $1.5 million for the same periods in 2024.

Equity settled share-based compensation expense was $0.2 million and $0.7 million for the three months and year ended December 31, 2025 compared to $0.2 million and $0.9 million for the same periods in 2024. Equity settled share-based compensation includes the Company's stock option plan.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes cash settled restricted share units ("CRSUs"), cash or share settled restricted share units and performance share units ("CosRSUs" and "CosPSUs"), long duration restricted share units and performance share units ("LDRSUs and "LDPSUs"), and deferred share units ("DSUs"). Cash settled share-based compensation expense for the three months and year ended December 31, 2025 was $9.9 million and $29.8 million compared to $5.9 million and $0.6 million for the same periods in 2024. This increase in expense is mainly attributable to the increase in Parex's share price from period end dates. Parex share price increased to Cdn$18.45 at December 31, 2025 from Cdn$14.58 at December 31, 2024.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as expense over the vesting period based on the fair value of the units as described in note 21 - Cash Settled Incentive Plans of the audited consolidated financial statements. As at December 31, 2025, the total cash settled incentive plans liability accrued was $37.6 million (December 31, 2024 - $19.9 million) of which $15.2 million (December 31, 2024 - $9.6 million) is classified as long-term in accordance with the vesting periods.

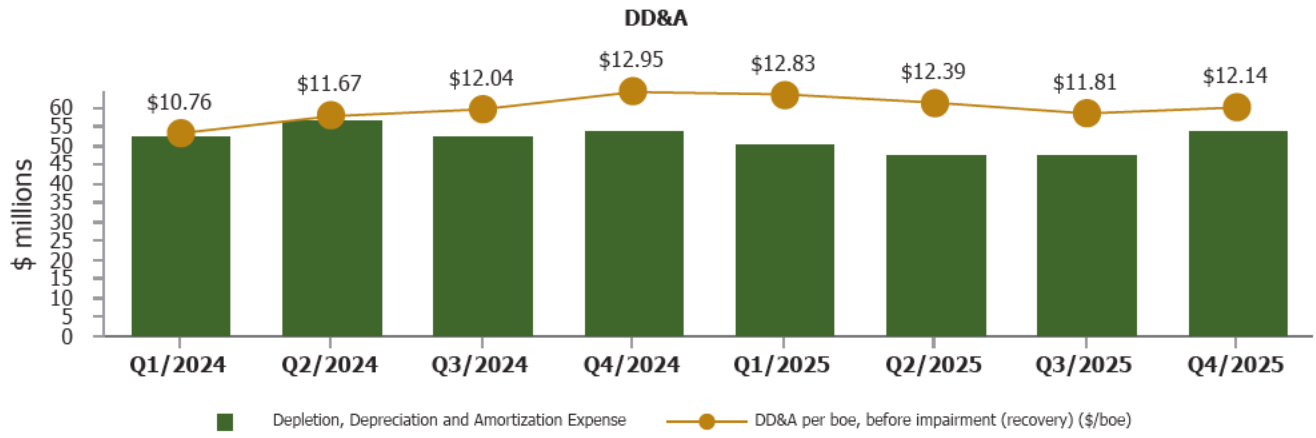
Cash payments to settle cash settled share-based compensation in the three months and year ended December 31, 2025 were $0.5 million and $12.8 million compared to $0.3 million and $20.6 million for the same periods in 2024.

Depletion, Depreciation and Amortization Expense ("DD&A")

	For the three months ended December 31, 2025	2024	For the year ended December 31, 2025	2024
DD&A ($000s) total	**$ 54,270**	$ 53,984	**$ 200,405**	$ 215,770
Per unit ($/boe)[(1)]	**12.14**	12.95	**12.28**	11.81

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

For the year ended December 31, 2025, DD&A was $200.4 million ($12.28/boe) as compared to $215.8 million ($11.81/boe) for the prior year. The increase per boe from the prior year period is due to adding to the depletable base through capital expenditures made during 2025 and the transfer of Block LLA-74 partially offset by lower production.



Foreign Exchange

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Foreign exchange (gain) loss	**$ (961)**	$ 2,194	**$ (1,934)**	$ 5,447
Foreign currency risk management contracts gain	**(1,128)**	—	**(8,998)**	—
Total foreign exchange (gain) loss	**$ (2,089)**	$ 2,194	**$ (10,932)**	$ 5,447
Average foreign exchange rates				
USD$/Cdn$	**1.39**	1.40	**1.40**	1.37
USD$/COP	**3,819**	4,347	**4,053**	4,071

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Cdn and COP, as the Company's functional currency is the U.S. dollar ("USD"). The Company has exposure in Colombia and Canada on costs, such as capital expenditures, local wages, royalties and income taxes, all of which may be denominated in local currencies. The main drivers of foreign exchange gains and losses recorded on the consolidated statements of comprehensive income is the COP denominated income tax payable and tax withholdings receivable, accounts payable and accounts receivable. The timing of payment settlements, accruals and their adjustments have impacts on foreign exchange gains/losses.

For the three months and year ended December 31, 2025, a total foreign exchange gain of $2.1 million and $10.9 million was recorded compared to a loss of $2.2 million and $5.4 million in the respective prior year periods.

For the three months and year ended December 31, 2025, the Company also recorded a $4.6 million and $9.0 million realized gain on a COP/USD collar which settled in the money and is included in the total foreign exchange (gain) loss in the consolidated statement of comprehensive income for the year ended December 31, 2025.

Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of comprehensive income.

The Company reviews its exposure to foreign currency variations on an ongoing basis and maintains cash deposits primarily denominated in USD and COP in Canada, Switzerland and Colombia.

Foreign Exchange Sensitivity Analysis

Cost component	Estimated percent of cost denominated in local currency	$/boe Impact of change in local currency/ $USD exchange rate: 10% appreciation of local currency	10% depreciation of local currency
Production expense	90%	$ 1.18	$ (1.18)
Transportation expense	50%	$ 0.26	$ (0.26)
G&A expense	100%	$ 0.40	$ (0.40)

The table above displays the estimated per boe impact of a change in Parex's local currencies and the effect on Parex's key cost components. The component impact in $/boe terms uses Q4 2025 per boe costs. This analysis ignores all other factors impacting cost structure including, but not limited to, efficiencies, cost reduction strategies, and cost inflation.

As at December 31, 2025, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Cdn and COP against the USD would have decreased (increased) net income by approximately $8.7 million.

Other Expense

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Other Colombian taxes	**$ 2,752**	$ 355	**$ 8,850**	$ 1,611
Colombian tax credit purchased	**—**	—	**8,097**	—
Legal provisions	**8,625**	—	**8,625**	—
Loss on settlement of decommissioning liabilities	**(392)**	1,127	**147**	1,593
Loss on disposition of tangible assets	**419**	649	**500**	1,987
Other	**381**	77	**2,981**	1,036
Total other expense	**$ 11,785**	$ 2,208	**$ 29,200**	$ 6,227

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Non-cash other expense	**$ 8,652**	$ 1,776	**$ 9,272**	$ 3,580
Cash other expense	**3,133**	432	**19,928**	2,647
Total other expense	**$ 11,785**	$ 2,208	**$ 29,200**	$ 6,227

Other expense is comprised mainly of other Colombian taxes including the 1% surcharge on the sale or export of crude oil effective for 2025, legal provisions, Colombian tax credit purchased to reduce income tax expense, loss (gain) on settlement of decommissioning liabilities and loss (gain) on settlement of tangible assets. The non-cash components of other expense include the legal provisions, loss (gain) on settlement of decommissioning liabilities and loss (gain) on settlement of tangible assets.

Legal provisions have been recognized in respect of estimated fines and penalties mainly arising from environmental regulatory disputes. Management has assessed the likelihood of settlement and determined the best estimate based on relevant legislation and the probability of enforcement outcomes. The timing of the outflows is expected within 10 years. Significant judgement was applied in estimating the range of possible outcomes given the uncertainty involved.

Net Finance Expense

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Bank charges and credit facility fees	**$ 911**	$ 1,124	**$ 4,748**	$ 3,673
Interest on bank debt	**1,100**	700	**2,765**	4,174
Accretion on decommissioning and environmental liabilities	**2,473**	1,848	**9,122**	9,206
Interest and other income	**(1,154)**	(998)	**(4,369)**	(4,315)
Bad debt expense	**—**	**—**	**3,442**	—
Expected credit loss (recovery) provision	**87**	163	**(53)**	67
Lease obligation interest expense	**224**	46	**365**	189
Other	**281**	437	**1,013**	1,099
Net finance expense	**$ 3,922**	$ 3,320	**$ 17,033**	$ 14,093

	For the three months ended December 31,		For the year ended December 31,	
	2025	2024	**2025**	2024
Non-cash finance expense	**$ 2,560**	$ 2,012	**$ 12,511**	$ 9,273
Cash finance expense	**1,362**	1,308	**4,522**	4,820
Net finance expense	**$ 3,922**	$ 3,320	**$ 17,033**	$ 14,093

Bank charges and credit facility fees relate to bank taxes paid in Colombia and the standby fees related to the Company's credit facility. The non-cash components of net finance expense include the accretion on decommissioning and environmental liabilities, bad debt expense and the expected credit loss (recovery) provision.

Risk Management

Management of cash flow variability is an integral component of Parex's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the board of directors ("the Board" or "Board of Directors") to establish risk management guidelines to be used by management. The risk exposure inherent in movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements are all proactively reviewed by Parex and as considered appropriate may be managed through the use of derivatives primarily with financial institutions that are members of Parex's syndicated bank credit facility. The Company considers these derivative contracts to be an effective means to manage and forecast cash flow.

Parex has elected not to apply IFRS prescribed "hedge accounting" rules and, accordingly, pursuant to IFRS the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity and foreign exchange forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the earnings for that period. As a result, earnings may fluctuate considerably based on the period-ending commodity and foreign exchange forward strip prices, in respect of any outstanding commodity or foreign exchange derivative contracts.

a) Risk Management Contracts – Brent Crude

As at December 31, 2025, the Company had no commodity price risk management contracts in place.

The following is a summary of the commodity price risk management contracts entered into subsequent to December 31, 2025:

Period Hedged	Reference	Volume bbls/d	Call strike price	Put Strike	Low Put Strike	Premium
January 1, 2026 to January 31, 2026	ICE Brent	12,000	$70.00	$60.00	$55.00	$0.65
April 1, 2026 to April 30, 2026	ICE Brent	12,000	$70.00	$60.00	$53.00	$—
May 1, 2026 to May 31, 2026	ICE Brent	12,000	$70.00	$60.00	$53.00	$—
June 1, 2026 to June 30, 2026	ICE Brent	12,000	$70.00	$60.00	$53.00	$—

The table below summarizes the loss (gain) on the commodity risk management contracts that were in place during the three months and years ended December 31, 2025 and 2024:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Realized gain on commodity risk management contracts	**$ (2,019)**	$ —	**$ (5,356)**	$ —
Premiums paid on commodity risk management contracts	**1,212**	—	**7,935**	—
Unrealized (gain) loss on commodity risk management contracts	**172**	1,160	**(1,160)**	1,160
Total	**$ (635)**	$ 1,160	**$ 1,419**	$ 1,160

b) Risk Management Contracts – Foreign Exchange

The Company is exposed to foreign currency risk as various portions of its cash balances are held in COP and Cdn while its committed capital expenditures are expected to be primarily denominated in USD.

As at December 31, 2025, the Company had no foreign currency risk management contracts in place.
The following is a summary of the foreign currency risk management contracts entered into subsequent to December 31, 2025:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price COP	Max compensation
January 16, 2026 to December 15, 2026	COP	Collar with limited compensation	$99,000,000	3,700-4,200	800

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three months and years ended December 31, 2025 and 2024:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Unrealized loss on foreign currency risk management contracts	**$ 3,452**	$ —	**$ —**	$ —
Realized gain on foreign currency risk management contracts	**(4,580)**	—	**(8,998)**	—
Total	**$ (1,128)**	$ —	**$ (8,998)**	$ —

Marketable securities

	December 31, 2025	December 31, 2024
Marketable securities	**$ 45,090**	$ —

In 2025, the Company acquired 6,084,986 common shares (the "GeoPark Shares") of GeoPark Ltd (NYSE: GPRK), representing approximately 11.8% ownership, for aggregate consideration of $40.5 million ($6.65 per share). The fair value of the GeoPark Shares at December 31, 2025 was $45.1 million, resulting in an unrealized gain of $4.6 million, which is recorded in the consolidated statement of comprehensive income.

Parex is exposed to market risk associated with its marketable securities, including the GeoPark Shares, primarily driven by changes in the market price and liquidity of the securities. The market price of the GeoPark Shares may be volatile and could be adversely affected by general market conditions, the investee's performance and disclosures, oil and gas commodity prices, interest and foreign exchange rates, geopolitical developments in the investee's areas of operation, and other factors beyond the Company's control.

Total Non-Current Financial Liabilities

The following table summarizes the total non-current financial liabilities for the three most recently completed financial years:

	2025	2024	2023
Bank debt	**$ 33,000**	$ 60,000	$ 90,000
Lease obligation	**7,814**	4,622	5,736
Cash settled share-based compensation liabilities	**15,228**	9,553	16,284
Other long-term liabilities	**7,143**	—	—
Total	**$ 63,185**	$ 74,175	$ 112,020

Income Tax

The components of tax (recovery) expense for the three months and year ended December 31, 2025 and 2024 were as follows:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Current tax expense (recovery)	**$ 1,235**	$ (5,629)	**$ 33,502**	$ 90,389
Deferred tax (recovery) expense	**(41,313)**	4,749	**(53,779)**	158,203
Total tax (recovery) expense	**$ (40,078)**	$ (880)	**$ (20,277)**	$ 248,592
Effective current tax rate on funds flow provided by operations before tax[(1)]	**1%**	(4)%	**7%**	13%

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Current tax in the fourth quarter of 2025 was an expense of $1.2 million as compared to a $5.6 million recovery in the comparative three-month period. For the full year 2025 the Company recorded $33.5 million of current tax expense as compared to $90.4 million in 2024.

The significant decrease in current tax expense from the 2024 comparative periods is the result of lower operating cash flows before tax, along with certain tax strategies that have been deployed over recent years.

For the three months and year ended December 31, 2025, deferred tax was a recovery of $41.3 million and $53.8 million compared to an expense of $4.7 million and $158.2 million for the three months and year ended December 31, 2024. The increase in deferred tax recovery from the 2024 comparative periods is mainly a result of the appreciation of the Colombian peso and the reversal of the temporary differences created between the accounting and tax basis in Colombia.

2026 Current Tax Guidance

The table below reflects the expected effective current tax rate on funds flow provided by operations before tax in 2026:

Brent price assumption	**$60/bbl**	**$65/bbl**	**$70/bbl**	**$75/bbl**
Effect current tax rate on before tax funds flow provided by operations[(1)]	1-3%	4%	5-7%	8-11%

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

The calculation of current and deferred income tax in Colombia is based on a number of variables which can cause swings in current and deferred income tax. These variables include but are not limited to the year-end producing reserves used in calculating depletion for tax purposes, the timing and number of dry hole write-offs permissible for Colombian tax purposes and currency fluctuations.

Capital Expenditures

For the year ended December 31,	Colombia		Canada		Total	
($000s)	**2025**	2024	**2025**	2024	**2025**	2024
Acquisition of unproved properties	**$ 9,937**	$ 2,619	**$ —**	$ —	**$ 9,937**	$ 2,619
Geological and geophysical	**10,101**	9,950	**—**	—	**10,101**	9,950
Drilling and completion	**248,507**	263,629	**—**	—	**248,507**	263,629
Well equipment and facilities	**38,618**	67,239	**—**	—	**38,618**	67,239
Other	**1,822**	438	**1,340**	3,820	**3,162**	4,258
Total capital expenditures[(1)]	**$ 308,985**	$ 343,875	**$ 1,340**	$ 3,820	**$ 310,325**	$ 347,695

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

For the three months ended December 31,	Colombia		Canada		Total	
($000s)	**2025**	2024	**2025**	2024	**2025**	2024
Acquisition of unproved properties	**$ 4,791**	$ 941	**$ —**	$ —	**$ 4,791**	$ 941
Geological and geophysical	**1,100**	6,819	**—**	—	**1,100**	6,819
Drilling and completion	**62,581**	53,056	**—**	—	**62,581**	53,056
Well equipment and facilities	**14,212**	17,502	**—**	—	**14,212**	17,502
Other	**1,135**	438	**801**	3,354	**1,936**	3,792
Total capital expenditures[(1)]	**$ 83,819**	$ 78,756	**$ 801**	$ 3,354	**$ 84,620**	$ 82,110

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Below is additional information related to capital expenditures in the period by key operating area:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Block LLA-34	**$ 10,598**	$ 15,447	**$ 48,201**	$ 87,821
Southern Llanos	**33,176**	37,990	**190,241**	120,434
Northern Llanos	**11,148**	22,863	**32,297**	119,685
Putumayo Basin	**14,842**	—	**18,075**	—
Magdalena Basin	**12,919**	2,456	**18,348**	15,935
Canada and Colombia - Corporate	**1,937**	3,354	**3,163**	3,820
Total capital expenditures[(1)]	**$ 84,620**	$ 82,110	**$ 310,325**	$ 347,695

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the year ended December 31, 2025, the Company incurred $310.3 million of capital expenditures with 92% spent on drilling, completion, well equipment and facilities in Colombia. During the year ended December 31, 2024, the Company incurred $347.7 million of capital expenditures with 95% spent on drilling, completion, well equipment and facilities in Colombia.

During the fourth quarter of 2025 the Company incurred capital expenditures of $84.6 million with 91% spent on drilling, completion, well equipment and facilities in Colombia. During the fourth quarter of 2024 the Company incurred capital expenditures of $82.1 million with 86% spent on drilling, completion and well equipment and facilities in Colombia.

During the year ended December 31, 2025, the Company's capital expenditures of $310.3 million were self-funded from funds flow provided by operations of $455.0 million.

Property Acquisition

On March 14, 2025, Parex, through a foreign subsidiary, acquired an additional 25% working interest in the Azogue field in the LLA-32 Block and 12.5% working interest in the remainder of the LLA-32 Block (the "LLA-32 Acquisition") resulting in 100% working interest in the Block for the Company. The Company paid total net consideration of $16.0 million.

The consolidated statement of comprehensive income includes results of operation of the LLA-32 Acquisition since the closing date of March 14, 2025. There were no transaction costs associated with the LLA-32 Acquisition.

This transaction has been accounted for using the acquisition method whereby the assets acquired and the liabilities assumed are recorded at fair values. As the fair value of the identifiable assets was determined to equal the purchase price, no goodwill arose on the transaction. The following table summarizes the recognizable assets acquired and consideration paid pursuant to the acquisition:

Assets acquired and liabilities assumed		
PP&E	$	16,788
Decommissioning liabilities		(820)
	$	15,968

Consideration for the acquisition		
Purchase price	$	19,000
Purchase price adjustments		(3,032)
Net consideration	$	15,968
Cash paid	$	14,970
Working capital adjustments		998
Total consideration paid	**$**	**15,968**

No working capital was included in the assets acquired.

The pro forma results for the year ended December 31, 2025 are shown below, as if the LLA-32 Acquisition had occurred on January 1, 2025. Pro forma results are not indicative of actual results or future performance.

Oil and natural gas sales	$	1,009,605
Net revenue less direct costs	$	580,120

The pro forma net income and pro forma net income per share, basic and diluted, are considered impracticable to calculate and therefore not included. The consolidated statement of comprehensive income for the year ended December 31, 2025 includes $32.6 million of oil sales attributable to the assets acquired since the LLA-32 Acquisition. Revenue less direct costs for the year ended December 31, 2025 attributable to the assets acquired since the LLA-32 Acquisition is $22.0 million. Net income for the year ended December 31, 2025 attributable to the assets acquired since the LLA-32 Acquisition is considered impracticable to calculate.

Long-Term Inventory

The Company has long-lead material and equipment inventory such as drill casing, natural gas compressors, and other major equipment. With, at times, strong demand for material and equipment used in oil and gas operations, periodically the Company secures material and equipment ahead of its upcoming capital programs. The Company plans on deploying this long-lead inventory over the coming years.

During 2025, the Company completed an impairment review of its long-term inventory. It was determined that the carrying amount of certain long-term inventory assets was lower than the recoverable amount and an impairment of $6.5 million (three months ended December 31, 2024 - $10.0 million) was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2025 .

Cost		
Balance at December 31, 2023	**$**	**204,701**
Additions		55,990
Transfers to E&E and PP&E assets		(40,028)
Transfer to production costs		(5,269)
Sale of inventory		(5,920)
Impairment		(10,000)
Balance at December 31, 2024	**$**	**199,474**
Additions		10,441
Transfers to E&E and PP&E assets		(25,045)
Transfer to production costs		(1,787)
Sale of inventory		(1,187)
Impairment		(6,470)
Balance at December 31, 2025	**$**	**175,426**

The below table represents the long-term inventory expenditures for the three months and years ended December 31, 2025 and 2024:

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Additions	**$ 863**	8,189	**$ 10,441**	$ 55,990
Transfers to D&P and E&E assets	**(8,263)**	(6,941)	**(25,045)**	(40,028)
Transfer to production costs	**211**	(1,642)	**(1,787)**	(5,269)
Sale of inventory	**(489)**	(2,175)	**(1,187)**	(5,920)
Total long-term inventory expenditures, net of transfers and sales	**$ (7,678)**	$ (2,569)	**$ (17,578)**	$ 4,773

Non-Cash Impairment Charges

	For the three months ended December 31,		For the year ended December 31,	
($000s)	**2025**	2024	**2025**	2024
Impairment of E&E assets	**$ 11,140**	$ 49,424	**$ 11,140**	$ 54,085
Impairment of PP&E assets	**—**	78,417	**—**	78,417
Impairment of long-term inventory	**6,470**	10,000	**6,470**	10,000
Total non-cash impairment charges before deferred income tax recoveries	**$ 17,610**	$ 137,841	**$ 17,610**	$ 142,502

2025 Impairments

During 2025, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the LLA-94 Block, for costs related to exploration wells which indicated non-economic results and has relinquished the block. It was determined that the impairment was $11.1 million which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2025.

The carrying amounts of the Company's PP&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. At December 31, 2025, there were no indicators of PP&E impairment noted or indicators requiring a reversal of previously recorded impairments.

During 2025, the Company completed impairment reviews of its long-term inventory. It was determined that the carrying amount of certain long-term inventory assets was lower than the recoverable amount and an impairment of $6.5 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2025.

2024 Impairments

During 2024, the Company completed impairment reviews of its E&E assets. It was determined that the carrying amount of certain E&E assets wouldn't be recovered, primarily associated with the LLA-122 Block, for costs related to an exploration well which indicated technically unfeasible results at an acceptable risk tolerance. The impairment review compared the carrying value of the assets to the fair value less cost of disposal to determine the recoverable amount which was determined to be $nil for LLA-122 Block assets. It was determined that the impairment was $49.4 million and $54.1 million for the three months and year ended December 31, 2024, which is recorded in the consolidated statements of comprehensive income for the year ended December 31, 2024.

The carrying amounts of the Company's PP&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. A revision of the estimation of the total proved and probable reserves in the Aguas Blancas CGU and the Boranda/Fortuna CGU, both in the Magdalena Basin, for the year ended December 31, 2024, evidenced a decline as compared to the prior year estimation. Management considered this to be an indicator of impairment and carried out an impairment review of these CGUs.

The Company determined that the carrying amount of Aguas Blancas CGU and the Boranda/Fortuna CGU exceeded their recoverable amounts and an impairment of $78.4 million was recorded in the consolidated statements of comprehensive income for the three months and year ended December 31, 2024. There are no E&E assets associated with these CGUs.

At December 31, 2024, the recoverable amount of the Aguas Blancas CGU was estimated to be $20.9 million, and the recoverable amount of the Boranda/Fortuna CGU was estimated to be $3.5 million. A 1% change to the assumed discount rate or a 5% change in forward price estimates over the life of the reserves would have an immaterial impact on the impairment. The fair value as determined was consistent with the Company's independent qualified reserve evaluators reserve estimate at December 31, 2024. The recoverable amount was determined using estimated fair value less costs of disposal.

Future cash flows were discounted using an after tax-rate of 14% with the following prices being used by Parex's independent reserve evaluator as at December 31, 2024:

	2025	2026	2027	2028	2029	Thereafter
Brent ($US/bbl)	75.25	77.50	80.08	82.69	84.34	2% increase per year
WTI ($US/bbl)	71.25	73.50	76.00	78.53	80.10	2% increase per year

For all other CGUs, at December 31, 2024, there were no indicators of PP&E impairment noted or indicators requiring a reversal of previously recorded impairments.

During 2024, the Company completed impairment reviews of its long-term inventory. It was determined that the carrying amount of certain long-term inventory assets was lower than the recoverable amount and an impairment of $10.0 million was recorded in the consolidated statements of comprehensive income for the three-month period ended December 31, 2024.

For further information regarding the impairment charges for the years ended December 31, 2025 and 2024, refer to note 8 - Exploration and Evaluation Assets, note 9 - Property, Plant and Equipment and note 10 - Long-Term Inventory in the audited consolidated financial statements.

Impairment Test of Goodwill

The Company performed its annual test for goodwill impairment at the balance sheet date in accordance with its policy described in note 3 - Summary of Material Accounting Policies of the audited consolidated financial statements. The Company has allocated goodwill to the Colombia operating segment. The estimated fair value less costs of disposal of the Colombia operating segment exceeded the carrying value. As a result, no goodwill impairment was recorded. For additional information refer to note 14 - Goodwill in the audited consolidated financial statements.

Summary of Quarterly Results (unaudited)

Three months ended ($000s) (except per share amounts)	**Dec. 31, 2025**	Sep. 30, 2025	Jun. 30, 2025	Mar. 31, 2025
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**14,835**	10,525	10,498	10,650
Heavy Crude Oil (bbl/d)	**32,267**	32,026	31,047	32,207
Crude Oil (bbl/d)	**47,102**	42,551	41,545	42,857
Conventional Natural Gas (mcf/d)	**9,024**	8,412	5,982	4,806
Total (boe/d)	**48,606**	43,953	42,542	43,658
Realized sales price - oil ($/bbl)[6]	**56.70**	62.32	61.07	67.05
Financial (000s except per share amounts)				
Oil and natural gas sales	**$ 248,713**	$ 252,424	$ 239,070	$ 265,635
Funds flow provided by operations[5]	**$ 122,922**	$ 105,298	$ 104,821	$ 121,944
Per share – basic[2][4]	**1.28**	1.09	1.08	1.24
Per share – diluted[2][4]	**1.28**	1.09	1.08	1.24
Net income	**$ 74,865**	$ 50,476	$ 49,113	$ 80,629
Per share – basic[4]	**0.78**	0.52	0.50	0.82
Per share – diluted[4]	**0.78**	0.52	0.50	0.82
Dividends paid	**26,853**	26,892	27,561	26,365
Per share – Cdn$[4][6]	**0.385**	0.385	0.385	0.385
Capital Expenditures[1]	**$ 84,620**	$ 79,961	$ 88,690	$ 57,054
Long-term inventory expenditures, net of transfers and sales	**$ (7,678)**	$ (1,585)	$ (3,667)	$ (4,648)
Total assets (end of period)	**$ 2,341,092**	$ 2,260,531	$ 2,223,178	$ 2,197,955
Outstanding shares (end of period) (000s)	**95,974**	96,564	97,184	97,814
Working capital (deficit) surplus (end of period)[3][5]	**$ 28,027**	$ (3,167)	$ 20,048	$ 69,040

Three months ended ($000s) (except per share amounts)	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	9,550	9,064	9,541	7,237
Heavy Crude Oil (bbl/d)	34,882	37,777	43,229	45,543
Crude Oil (bbl/d)	44,432	46,841	52,770	52,780
Conventional Natural Gas (mcf/d)	5,190	4,368	4,788	3,348
Total (boe/d)	45,297	47,569	53,568	53,338
Realized sales price - oil ($/bbl)[6]	64.01	69.07	75.69	71.02
Financial (000s except per share amounts)				
Oil and natural gas sales	$ 277,824	$ 302,033	$ 364,874	$ 335,298
Funds flow provided by operations[5]	$ 141,201	$ 151,773	$ 180,952	$ 148,307
Per share – basic[2][4]	1.43	1.50	1.77	1.43
Per share – diluted[2][4]	1.43	1.50	1.77	1.43
Net income (loss)	$ (69,051)	$ 65,793	$ 3,845	$ 60,093
Per share – basic[4]	(0.70)	0.65	0.04	0.58
Per share – diluted[4]	(0.70)	0.65	0.04	0.58
Dividends paid	26,658	28,467	28,528	28,531
Per share – Cdn$[4][6]	0.385	0.385	0.385	0.375
Capital Expenditures[1]	$ 82,110	$ 82,367	$ 97,797	$ 85,421
Long-term inventory expenditures, net of transfers and sales	$ (2,569)	$ (6,318)	$ 9,817	$ 3,843
Total assets (end of period)	$ 2,155,062	$ 2,290,683	$ 2,324,483	$ 2,355,512
Outstanding shares (end of period) (000s)	98,339	100,031	101,616	102,914
Working capital surplus (end of period)[3][5]	$ 59,397	$ 37,509	$ 34,156	$ 55,901

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Working capital does not include the undrawn amount available on the credit facility.
(4) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Factors that Caused Variations Quarter Over Quarter

Trends in net income, oil and natural gas sales and funds flow provided by operations are primarily associated with fluctuations in commodity sales from production which reflect changes in production levels and commodity prices, in addition to fluctuations in foreign currency (see "Foreign Exchange" section). Net income is also impacted by changes in non-cash impairment of property, plant and equipment, exploration and evaluation and long term-inventory assets. Changes in income taxes, as discussed in the section "Income Tax", also impact net income for current and deferred taxes, while funds flow provided by operations is impacted by current income taxes. Working capital trends are primarily associated with fluctuations in funds flow provided by operations, capital and long-term inventory expenditures in accordance with the Company's activities, bank debt borrowing or repayment, timing of settlement of receivables and payables and income taxes and the cost associated with share repurchases and dividend payments.

Refer to "Financial and Operating Results" for detailed discussions on variations during the comparative quarters and to Parex's previously issued annual and interim MD&As for further information regarding changes in prior quarters.

Fourth Quarter Results

Consolidated Statements of Comprehensive Income for the three months ended December 31, 2025 and 2024:

($000s) For the three month period ended December 31,		**2025**		2024
Oil and natural gas sales	**$**	**248,713**	$	277,824
Royalties		**(28,649)**		(41,094)
Net revenue		**220,064**		236,730
Other revenue		**2,827**		2,739
Commodity risk management contracts gain (loss)		**635**		(1,160)
Revenue		**223,526**		238,309
Expenses				
Production		**57,073**		67,708
Transportation		**23,081**		16,877
Purchased oil		**—**		59
General and administrative		**17,657**		17,900
Impairment of property, plant and equipment assets		**—**		78,417
Impairment of exploration and evaluation assets		**11,140**		49,424
Impairment of long-term inventory		**6,470**		10,000
Equity settled share-based compensation expense		**183**		223
Cash settled share-based compensation expense		**9,863**		5,926
Depletion, depreciation and amortization		**54,270**		53,984
Other expenses		**11,785**		2,208
Foreign exchange (gain) loss		**(2,089)**		2,194
Unrealized gain on marketable securities		**(4,616)**		—
		184,817		304,920
Finance (income)		**(1,154)**		(998)
Finance expense		**5,076**		4,318
Net finance expense		**3,922**		3,320
Income (loss) before income taxes		**34,787**		(69,931)
Income tax (recovery)				
Current tax expense (recovery)		**1,235**		(5,629)
Deferred tax (recovery) expense		**(41,313)**		4,749
		(40,078)		(880)
Net income (loss) and comprehensive income (loss) for the period	**$**	**74,865**	$	(69,051)

Liquidity and Capital Resources

The Company remains committed to delivering returns to shareholders, while also investing in its assets to provide a total shareholder return. Typically, the Company relies on funds flow provided by operations and its credit facility to meet capital requirements, dividend payments, share repurchases and maintain liquidity. After evaluating its current liquidity, working capital position, projected working capital needs, operational results, and financial forecasts, the Company anticipates that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities. While the Company deems this outlook reasonable, available cash and cash equivalents are subject to variations and risk associated with ordinary operations, and it cannot guarantee that all or part of its liquidity objective will be met, that sufficient internal funds will be generated, or that external financing will be available if needed.

The Company can adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure, share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure currently to include shareholders' equity, the credit facility and its working capital. As at December 31, 2025, shareholders' equity was $1,952.9 million (December 31, 2024 - $1,831.3 million).

As at December 31, 2025, the Company had a working capital surplus[(1)] of $28.0 million as compared to a working capital surplus[(1)] of $59.4 million at December 31, 2024.

As at December 31, 2025, Parex held $58.3 million of unrestricted cash compared to $98.0 million at December 31, 2024 and $69.8 million at September 30, 2025. The Company's cash balances reside primarily in current accounts with chartered financial institutions, the majority of which are held on account in Canada, Switzerland and Colombia in USD.

Parex's senior secured credit facility is with a syndicate of three Canadian banks has a current borrowing base of $240.0 million (December 31, 2024 - $240.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. As at December 31, 2025, $33.0 million (December 31, 2024 - $60.0 million) was drawn on the credit facility. The credit facility is secured by the Company's Colombian assets and has final maturity date of May 21, 2027. The next annual review is scheduled to occur in May 2026. The next re-determination of the credit facility is not expected to impact the Company's current or future operations, reduce the 2026 outlook or change the Company's guidance. Parex expects to draw on the credit facility at various times to manage timing differences associated with timing of vendor payments and oil sales collections. Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3:50:1, and other standard business operating covenants. The Company is in compliance with all covenants.

Refer to note 29 - Commitments and Contingencies of the audited consolidated financial statements for a description of the performance guarantees as well as the unsecured letters of credit.

(1) Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at December 31, 2025, the Company had 95,974,136 common shares outstanding compared to 98,339,036 at December 31, 2024, a decrease of 2%. At March 3, 2026, the common shares outstanding remains as 95,974,136.

The Company has a stock option plan that provides for the issuance of stock options to acquire common shares to the Company's officers, executives and certain employees resulting in common shares issued from treasury.

As at March 3, 2026, Parex had the following securities outstanding:

	Number	%
Common shares	95,974,136	99
Stock options	1,085,025	1
	97,059,161	100

As of the date of this MD&A, total stock options outstanding represent approximately 1% of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Guarantees

In the normal course of business, Parex has entered into arrangements and incurred obligations that will affect the Company's future operations and liquidity. These commitments primarily relate to joint venture farm-in arrangements, business collaboration agreements and exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company's exploration commitments are described in the Company's AIF under "Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity.

In Colombia, the Company has provided guarantees to the ANH and Empresa Colombiana de Petróleos S.A., ("Ecopetrol") joint venture blocks related to the exploration work commitments on its Colombian concessions in the amount of $235.1 million as at December 31, 2025 (December 31, 2024 - $160.7 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

At December 31, 2025, the total lease obligation was $9.1 million (December 31, 2024 - $5.2 million) of which $7.8 million (December 31, 2024 - $4.6 million) is classified as long-term in accordance with the lease terms.

The following table summarizes the Company's estimated undiscounted commitments as at December 31, 2025:

($000s)	Total	<1 year	1 – 3 years	4 – 5 years	>5 years
Exploration	$ 753,488	$ 42,434	$ 242,619	$ 468,435	$ —
Office and accommodations[(1)]	6,966	2,984	2,815	1,167	—
Decommissioning and Environmental Obligations	274,188	10,158	—	—	264,030
Total	**$ 1,034,642**	**$ 55,576**	**$ 245,434**	**$ 469,602**	**$ 264,030**

(1) Includes minimum lease payment obligations associated with leases for office space and accommodations.

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2023	**$ 71,523**	**$ 24,209**	**$ 95,732**
Additions	5,398	332	5,730
Settlements of obligations during the year	(7,038)	(3,235)	(10,273)
Loss on settlement of obligations	1,593	—	1,593
Accretion expense	6,853	2,353	9,206
Change in estimate - inflation and discount rates	(9,400)	(3,205)	(12,605)
Change in estimate - costs	1,725	(8,342)	(6,617)
Foreign exchange gain	(2,185)	(2,906)	(5,091)
Balance, December 31, 2024	**$ 68,469**	**$ 9,206**	**$ 77,675**
Additions	6,407	3,275	9,682
Property acquisitions - Note 11	702	118	820
Settlements of obligations during the year	(5,877)	(3,635)	(9,512)
Loss (gain) on settlement of obligations	596	(449)	147
Accretion expense	8,160	962	9,122
Change in estimate - inflation and discount rates	(6,197)	(1,192)	(7,389)
Change in estimate - costs	2,216	1,490	3,706
Foreign exchange loss	3,087	1,827	4,914
Balance, December 31, 2025	**77,563**	**11,602**	**89,165**
Current obligation	(7,318)	(2,840)	(10,158)
Long-term obligation	**$ 70,245**	**$ 8,762**	**$ 79,007**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at December 31, 2025, with the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $244.5 million as at December 31, 2025 (December 31, 2024 - $216.8 million) with the majority of these costs anticipated to occur in 2033 or later. A risk-free discount rate of 12.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2024 - 11.2% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2025 and 2024 are based on forecast Colombia rates.

Included in the decommissioning liability is $7.3 million (December 31, 2024 - $11.7 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $29.7 million as at December 31, 2025 (December 31, 2024 - $24.6 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 12.5% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2024 - 11.2% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used in 2025 and 2024 are based on forecast Colombia rates.

Included in the environmental liability is $2.8 million (December 31, 2024 - $2.9 million) that is classified as a current obligation.

A change to the assumed discount rate or inflation rate would have an the following impact on the decommissioning and environmental liabilities:

		2025		2024	
As at December 31,	**Sensitivity Range**	**Increase**	**Decrease**	Increase	Decrease
Risk-free discount rate	+/- one percent	**$ (5,551)**	**$ 6,157**	$ (5,349)	$ 6,022
Inflation rate	+/- one percent	**$ 6,600**	**$ (6,013)**	$ 6,406	$ (5,702)

Decommissioning and environmental liabilities are considered critical accounting estimates. There are significant uncertainties related to decommissioning and environmental expenditures and the impact on the financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. The main factors that can cause expected estimated cash flows in respect of decommissioning and environmental liabilities to change are:

- changes in laws, legislation and regulations;
- construction of new facilities;
- change in commodity price;
- change in the estimate of oil reserves and the resulting amendment to the life of reserves;
- changes in technology; and
- execution of decommissioning and environmental liabilities.

Subsequent Events

NCIB

On January 22, 2026, the Company commenced an NCIB to purchase for cancellation, from time to time, as it considers advisable up to a maximum of 9,407,490 Common Shares on the open market through the facilities of the TSX and/or alternative trading systems. The NCIB will terminate on January 21, 2027.

Proposal

On February 23, 2026, the Company announced that it has submitted an acquisition proposal (the "Proposal") to the Board of Directors of Frontera Energy Corporation (TSX: FEC) ("Frontera") to acquire all of Frontera's Colombian upstream business in an all-cash offer for consideration of $500 million, plus the assumption of debt, in addition to a contingent payment of $25 million.

Binding Proposal

On March 2, 2026, the Company submitted a binding acquisition proposal (the "Binding Proposal") to the Board of Frontera Energy Corporation (TSX: FEC) ("Frontera") to acquire all of Frontera's Colombian upstream business in an all-cash offer for consideration of $500 million, plus the assumption of debt, in addition to a contingent payment of $25 million. On the same day, Frontera provided an update on the previously-announced non-binding proposal by Parex, acknowledging receipt of a binding offer of $525 million and awaiting confirmation of certain terms.

Advisory on Forward-Looking Statements

Certain information regarding Parex set forth in this MD&A, including assessments by the Company's management of the Company's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex. In particular, forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to:

- the Company's operational strategy, plans, priorities and focus;
- Parex's expectation to provide a competitive return of capital through dividends and share repurchases, while investing in the Company's assets to provide a total shareholder return;
- Parex's expectations as to debt levels, commodity risk management and other hedging activities;
- Parex's 2026 guidance, including its anticipated funds flow provided by operations netback, capital expenditures; funds flow provided by operations, free funds flow and annual average production;
- Parex's expectation that crude oil inventory in future periods will be in line with normal historic levels;
- Parex's anticipated 2026 production expense per boe;
- Parex's expectations that its transportation expense will fluctuate period over period due to the mix of sales contracts types in force during the period;
- that Parex will review its exposure to foreign currency variations on an ongoing basis and maintains cash deposits primarily denominated in USD and COP in Canada, Switzerland and Colombia;
- Parex's foreign exchange sensitivity analysis;
- Parex's expectations regarding legal provisions, including the anticipated outcomes, estimated amounts and timing of potential outflows in connection therewith;
- Parex's approach to risk management and cash flow variability;
- Parex's plans to relinquish certain blocks;
- Parex's intentions to deploy long-lead inventory over the coming years and that Parex secures material and equipment ahead of its upcoming capital programs;
- the terms of the Company's credit facility including the timing of the next annual review and borrowing base redetermination;
- the Company's plan to draw on the credit facility to manage timing differences associated with timing of vendor payments and oil sales collections;
- the Company's expectation that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities;
- Parex's ability to adjust its capital structure and the mechanics thereof;
- Parex's estimated undiscounted commitments, including exploration, office and accommodations and, decommissioning and environmental obligations, and the anticipated timing thereof;
- the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the fluctuation of earnings based on strip prices;
- the Company's estimated effective tax rate for 2026;
- anticipated Brent and WTI prices;
- terms of certain of Parex's contractual obligations;
- Parex's plan to monitor and disclose key metrics surrounding the environmental impacts of its operations;
- Parex's expectations regarding the Binding Proposal including the value and benefits thereof; and
- the statements set forth under "Accounting Policies and Estimates" in this MD&A.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; determination by Organization of Petroleum Exporting Countries ("OPEC") and other country as to production levels; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; continued volatility and fluctuations in market prices for oil; the impact of significant declines in market prices for oil; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; partner approval of capital work programs and other matters requiring approval; imprecision in reserve, resource and revenue estimates; incorrect forecasts of the production and growth potential of Parex's assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; the risk that tariffs, taxes, restrictions or prohibitions on import or export of certain goods including oil and gas may have on the Company, the oil and gas industry or the global economy; ability to access sufficient capital from internal and external sources; risk that the fines and penalties recognized as legal provisions may be more than anticipated or outflows in respect thereof may occur sooner than anticipated; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; the risk that Parex is unable to realize the anticipated benefits of acquisitions and dispositions, including of the GeoPark Shares or the Binding Proposal; the risk that Parex may not consummate a transaction with GeoPark or that Parex may incur a loss on the GeoPark Shares; the risk that Parex may incur significant costs related to the Binding Proposal, regardless of whether the Binding Proposal is successful or that Parex may not be able to complete a transaction with Frontera on the terms or timeline anticipated, or at all; risk of failure to achieve the anticipated benefits associated with acquisitions; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities may not be consistent with its expectations; failure to meet expected production targets; the risk that Parex may not have sufficient financial resources in the future to pay a divided or repurchase shares under its NCIB; the risk that the Board may not declare dividends in the future and that there may not be base dividend growth or that Parex's dividend policy changes; the risk that Parex's risk management strategy may not be an effective means of managing and forecasting cash flow; the risk that Parex's capital expenditures, growth in production and production per share may be different than anticipated; the risk that the Company's capital and operating expenditures relating to the protection of the environment may be greater than anticipated; the risk that the Company's financial and operating results including, its 2026 guidance, may not be consistent with its expectations; the risk that the Company's environmental strategies may not be successful and that the Company may not remain in material compliance with environmental protection legislation; the risk that Parex may not deploy its long-lead inventory when anticipated; the risk that Parex may not be successful in attracting and retaining qualified successors to its Chief Executive Officer and other senior officers in the event of departure; the risk that the Company's inventory deployment in 2026 may be more or less than anticipated; the risks discussed under "Decommissioning and Environmental Liabilities" in this MD&A; the risks discussed under "Risk Factors" in the Company's AIF; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca).

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; access to areas of the Company's operations and infrastructure in light of the impact of community unrest on the Company's operations; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies and environmental legislation on the Company's operations; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; the anticipated benefits from the voluntary corporate restructuring; royalty rates; future operating costs; foreign exchange rates; the duration and impact of tariffs, taxes, restrictions or prohibition of importing goods including oil and natural gas; the status of litigation; timing of drilling and completion of wells; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources in the future to pay a dividend; that the Board will declare dividends in the future; that Parex will have sufficient financial resources to repurchase shares under its NCIB; that strip prices will remain unchanged; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

Forward-looking statements and other information contained in this MD&A concerning the oil and natural gas industry in the countries in which it operates and the Company's general expectations concerning this industry are based on estimates prepared by Management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management has included forward looking information, and the above summary of assumptions and risks related to forward-looking information in this MD&A in order to provide shareholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive there from. These forward-looking statements are made as of the date of this MD&A and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: Parex's 2026 guidance, including its anticipated funds flow provided by operations netback, capital expenditures, funds flow provided by operations, and free funds flow; Parex's anticipated 2026 production expense per boe; Parex's expectations that its transportation expense will fluctuate period over period due to the mix of sales contracts types in force during the period; Parex's foreign exchange sensitivity analysis; Parex's estimated undiscounted commitments, including exploration, office and accommodations and decommissioning and environmental obligations; and the anticipated timing thereof; the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement; Parex's estimated fines and penalties recognized under legal provisions, including the anticipated timing thereof; and the Company's estimated effective tax rate for 2026; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

Distribution Advisory

The Company's future shareholder distributions, including but not limited to the payment of dividends and the acquisition by the Company of its shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to pay further dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) or acquire shares of the Company will be subject to the discretion of the Board of Directors of Parex and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay dividends or repurchase any shares of the Company in the future.

Oil & Gas Matters Advisory

This MD&A contains a number of oil and gas metrics, including operating netbacks and FFO netbacks. These oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to

provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this MD&A, should not be relied upon for investment or other purposes.

The term "Boe" means a barrel of oil equivalent on the basis of 6 thousand cubic feet ("Mcf") of natural gas to 1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

Non-GAAP and Other Financial Measures Advisory

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this MD&A.

Non-GAAP Financial Measures

Capital expenditures, *is a non-GAAP financial measure which the Company uses to describe its capital costs associated with oil and gas expenditures. The measure considers both property, plant and equipment expenditures and exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period and is calculated as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2025**	2024	**2025**	2024	2023
Property, plant and equipment expenditures	**$ 47,575**	$ 62,799	**$ 200,595**	$ 221,250	$ 310,933
Exploration and evaluation expenditures	**37,045**	19,311	**109,730**	126,445	172,410
Capital expenditures	**$ 84,620**	$ 82,110	**$ 310,325**	$ 347,695	$ 483,343

	For the three months ended					
($000s)	September 2025	June 2025	March 2025	September 2024	June 2024	March 2024
Property, plant and equipment expenditures	$ 59,002	$ 49,067	$ 44,951	$ 68,406	$ 49,214	$ 40,831
Exploration and evaluation expenditures	20,959	39,623	12,103	13,961	48,583	44,590
Capital expenditures	$ 79,961	$ 88,690	$ 57,054	$ 82,367	$ 97,797	$ 85,421

Free funds flow, *is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow to be a key measure as it demonstrates Parex's ability to fund returns of capital, such as the NCIB or dividends, without accessing outside funds and is calculated as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2025**	2024	**2025**	2024	2023
Cash provided by operating activities	**$ 107,744**	$ 67,847	**$ 424,756**	$ 569,915	$ 376,471
Net change in non-cash assets and liabilities	**15,178**	73,354	**30,229**	52,318	291,311
Funds flow provided by operations	**122,922**	141,201	**454,985**	622,233	667,782
Capital expenditures	**84,620**	82,110	**310,325**	347,695	483,343
Free funds flow	**$ 38,302**	$ 59,091	**$ 144,660**	$ 274,538	$ 184,439

EBITDA, *is a non-GAAP financial measure that is defined as net income (loss) adjusted for finance income and expense, other expense, income tax expense (recovery) and depletion, depreciation and amortization.*

Adjusted EBITDA, *is a non-GAAP financial measure defined as EBITDA adjusted for non-cash impairment charges, share-based compensation expense (recovery), unrealized foreign exchange gains (losses) and unrealized gains (losses) on risk management contracts and marketable securities.*

The Company considers EBITDA and Adjusted EBITDA to be key measures as they demonstrate Parex's profitability before finance income and expenses, taxes, depletion, depreciation and amortization and other non-cash items. A reconciliation from net income to EBITDA and Adjusted EBITDA is as follows:

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2025**	2024	**2025**	2024	2023
Net income (loss)	**$ 74,865**	$ (69,051)	**$ 255,083**	$ 60,680	$ 459,309
Adjustments to reconcile net income (loss) to EBITDA:					
Finance income	**(1,154)**	(998)	**(4,369)**	(4,315)	(14,055)
Finance expense	**5,076**	4,318	**21,402**	18,408	13,834
Other expense	**11,785**	2,208	**29,200**	6,227	2,582
Income tax (recovery) expense	**(40,078)**	(880)	**(20,277)**	248,592	(5,070)
Depletion, depreciation and amortization	**54,270**	53,984	**200,405**	215,770	194,229
EBITDA	**$ 104,764**	$ (10,419)	**$ 481,444**	$ 545,362	$ 650,829
Non-cash impairment charges	**17,610**	137,841	**17,610**	142,502	142,540
Share-based compensation expense	**10,046**	6,149	**30,516**	1,462	30,364
Unrealized foreign exchange (gain) loss	**677**	2,581	**(10,857)**	29,603	(6,453)
Unrealized (gain) loss on risk management contracts	**172**	1,160	**(1,160)**	1,160	—
Unrealized gain on marketable securities	**(4,616)**	—	**(4,616)**	—	—
Adjusted EBITDA	**$ 128,653**	$ 137,312	**$ 512,937**	$ 720,089	$ 817,280

Operating netback, *is a non-GAAP financial measure that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales from production less royalties, operating, and transportation expense. Refer to "Financial and Operational Results – Consolidated Results of Operations" for the calculation of operating netback.*

Non-GAAP Ratios

Operating netback per boe, *is a non-GAAP ratio that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback per boe as operating netback divided by the total equivalent sales volume including purchased oil volumes for oil and natural gas sales price and transportation expense per boe and by the total equivalent sales volume excluding purchased oil volumes for royalties and operating expense per boe.*

Funds flow provided by operations netback per boe*, is a non-GAAP ratio that includes all cash generated from operating activities and is calculated before changes in non-cash assets and liabilities, divided by produced oil and natural gas sales volumes. The Company considers funds flow provided by operations netback per boe to be a key measure as it demonstrates Parex's profitability after all cash costs relative to current commodity prices.*

Basic and diluted funds flow provided by operations per share or FFO per share, *is a non-GAAP ratio that is calculated by dividing funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted funds flow provided by operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The Company considers basic and diluted funds flow provided by operations per share or FFO per share to be a key measure as it demonstrates Parex's profitability after all cash costs relative to the weighted average number of basic and diluted shares outstanding.*

Capital Management Measures

Funds flow provided by operations, *is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash assets and liabilities. The Company considers funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after all cash costs. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2025**	2024	**2025**	2024	2023
Cash provided by operating activities	**$107,744**	$ 67,847	**$ 424,756**	$ 569,915	$ 376,471
Net change in non-cash assets and liabilities	**15,178**	73,354	**30,229**	52,318	291,311
Funds flow provided by operations	**$122,922**	$ 141,201	**$ 454,985**	$ 622,233	$ 667,782

	For the three months ended					
($000s)	September 2025	June 2025	March 2025	September 2024	June 2024	March 2024
Cash provided by operating activities	$ 86,992	$ 142,642	$ 87,378	$ 181,874	$ 222,782	$ 97,412
Net change in non-cash assets and liabilities	18,306	(37,821)	34,566	(30,101)	(41,830)	50,895
Funds flow provided by operations	$ 105,298	$ 104,821	$ 121,944	$ 151,773	$ 180,952	$ 148,307

Working capital surplus (deficit), *is a capital management measure which the Company uses to describe its liquidity position and its ability to meet its short-term liabilities. Working capital surplus (deficit) is defined as current assets less current liabilities:*

	For the three months ended December 31,		For the year ended December 31,		
($000s)	**2025**	2024	**2025**	2024	2023
Current assets	**$273,994**	$245,943	**$ 273,994**	$ 245,943	$ 337,175
Current liabilities	**245,967**	186,546	**245,967**	186,546	258,148
Working capital surplus	**$ 28,027**	$ 59,397	**$ 28,027**	$ 59,397	$ 79,027

	For the three months ended					
($000s)	September 2025	June 2025	March 2025	September 2024	June 2024	March 2024
Current assets	$ 224,109	$ 239,485	$ 259,256	$ 248,208	$ 281,846	$ 276,113
Current liabilities	227,276	219,437	190,216	210,699	247,690	220,212
Working capital surplus (deficit)	$ (3,167)	$ 20,048	$ 69,040	$ 37,509	$ 34,156	$ 55,901

Supplementary Financial Measures

"DD&A expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"Dividends paid per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"Effective current tax rate as a per cent of funds flow provided by operations before tax" is comprised of current income tax expense, as determined in accordance with IFRS, divided by funds flow provided by operations before tax.

"G&A expense per boe" is comprised of net G&A expense after recoveries and capitalization, as determined in accordance with IFRS, divided by the Company's total production.

"Net revenue per boe" is comprised of net revenue, as determined in accordance with IFRS, divided by the total equivalent sales volume and includes purchased oil volumes.

"Non-operated production expense per boe" is comprised of operated production expense, as determined in accordance with IFRS, divided by the total equivalent non-operated sales volume and excludes purchased oil volumes.

"Oil and natural gas sales price per boe" is comprised of total commodity sales from oil and natural gas production, as determined in accordance with IFRS, divided by the Company's total oil and natural gas sales volumes including purchased oil volumes.

"Operated production expense per boe" is comprised of operated production expense, as determined in accordance with IFRS, divided by the total equivalent operated sales volume and excludes purchased oil volumes.

"Price differential and transportation expense per bbl" is comprised of realized oil sales price per bbl, as defined herein, less Brent crude price to calculate the price differential, plus transportation expense per bbl as defined herein.

"Production expense per boe" is comprised of production expense, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased oil volumes.

"Realized oil sales price per bbl" is comprised of total oil sales, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased oil volumes.

"Realized natural gas price per Mcf" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas sales volumes.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales volume and excludes purchased oil volumes.

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales from production, excluding purchased oil volumes, as determined in accordance with IFRS.

"Transportation expense per bbl" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total oil sales volumes equivalent sales volume including purchased oil volumes.

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent sales volumes including purchased oil volumes.

Environmental Initiatives Impacting Parex

In Colombia there is currently a nascent regulation that obliges companies to specifically monitor and report greenhouse gas ("GHG") emissions. Although at the present time there is no enforceable regulation related to climate change or GHG emissions in Colombia, Parex has a plan in place to monitor and disclose key metrics surrounding the environmental impacts of Parex's operations. Climate change regulation has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Colombia. Such regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impact of climate change and environmental laws and regulations on Parex, as Parex is unable to predict additional legislation or amendments that the Colombian government may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

As of December 31, 2022, Colombia has ratified the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (the "Escazu Agreement"). The Company cannot predict with any certainty at this time the impacts to the Company that implementation of the Escazu Agreement may entail, as no details are yet available regarding the ways in which implementation will be carried out for the countries that have ratified it. However, it is anticipated that the Escazu Agreement will increase the participation of communities and the demand for access to information, which could affect the processes for obtaining environmental licenses, permits and authorizations applicable to the Company, may result in the incurrence of additional unanticipated costs, and could create friction with the communities, among other risks.

Business Environment and Risks

Parex is exposed to a number of risks through the pursuit of its strategic objectives including but not limited to operational, financial, competitive, political and environmental risks. Some of these risks impact the oil and gas industry as a whole and others are unique to the Company's operations. As a participant in the oil and natural gas industry, Parex is exposed to risks such as unsuccessful exploration and exploitation activities, the inability to find new reserves that are commercially and economically feasible, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, stock market volatility, debt service which may limit timing or amount of dividends as well as market price of shares, financial and liquidity risks and environmental and safety risks.

Parex's indirect Colombian entities have various working interests in numerous exploration and production blocks in the Llanos basin, as well as the Upper Magdalena, Middle Magdalena and Lower Magdalena basins. Further, all of Parex's oil and gas reserves and production are in Colombia. A number of the Company's contracts authorizing the exploration, development and production of hydrocarbons have exploration commitments, and in some cases, a portion of the commitments is guaranteed by issued letters of credit. Therefore, Parex will be subject to additional risks associated with international operations in Colombia.

The Company works to mitigate these risks by hiring or contracting highly skilled professionals who have demonstrated the ability to generate high quality proprietary geological and geophysical prospects. Parex has retained independent petroleum consultants that assist the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, production forecasts and future development costs. Such estimates will vary from actual results and such variations may be material.

The Company mitigates its risk related to producing hydrocarbons through the utilization of current technology and information systems. In addition, Parex operates the majority of its properties and, therefore, has significant control over the timing, direction and costs related to exploration commitments and development opportunities. When the Company does not operate, it relies on its joint venture partners to maintain operational control.

Parex is exposed to market risk to the extent that the demand for oil and gas produced by the Company exists. External factors beyond the Company's control may affect the marketability of oil and gas produced. These factors include commodity prices and variations in foreign currency exchange rates which, in turn, respond to economic and political circumstances throughout the world. Oil and natural gas prices are affected by worldwide supply and demand fundamentals. Parex uses derivative contracts to mitigate its exposure to the potential adverse impacts of commodity price and foreign exchange volatility.

Exploration and production for oil and gas is capital intensive. In addition to funds flow, Parex utilizes bank financing to support ongoing capital investments which exposes the Company to fluctuations in interest rates on its bank debt. Funds flow also fluctuates with changing commodity prices. Equity and debt capital are subject to market conditions, and availability and cost may increase or decrease from time to time.

The impact of any risk or a combination of risks may adversely affect, among other things, Parex's business, reputation, financial condition, results of operations and cash flows, which may reduce or restrict its ability to pursue its strategic priorities, respond to changes in the operating environment, and fulfill commitments and obligations, and may materially affect the market price of the Company's securities.

Additional information regarding risk factors, assumptions and uncertainties can be found under the heading "Forward Looking Statements" of this MD&A and in the "Risk Factors" section in the AIF of the Company, which is available on the Company's SEDAR+ profile at www.sedarplus.ca.

Internal Controls over Financial Reporting

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation authorities is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Parex evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded Parex DC&P were effective as at December 31, 2025.

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Parex;
2) Are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of Parex are being made in accordance with authorizations of management and Directors of Parex; and
3) Are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial reports.

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining ICFR for Parex. They have, as at the financial year ended December 31, 2025, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Parex officers used to design the Company's ICFR is the 2013 Internal Control - Integrated Framework ("COSO Framework") published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Parex conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2025 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2025, Parex maintained effective ICFR. It should be noted that while Parex officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

There were no changes in Parex's ICFR during the year ended December 31, 2025 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the twelve months ended December 31, 2025 other than normal course guarantees entered into in the form of letters of credit to support the exploration work commitments on its blocks. For further information refer to "Contractual Obligations, Commitments and Guarantees" section above and note 29 - Commitments and Contingencies in the audited consolidated financial statements.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity.

Related Party Transactions

Compensation of Key Management Personnel

Key management personnel compensation, including directors, is as follows:

		2025		2024
Salaries, directors' fees and other benefits	**$**	**4,306**	$	4,356
Equity settled share-based compensation		**439**		478
Cash settled share-based compensation		**4,568**		5,846
	$	**9,313**	$	10,680

Other Related Party Transactions

The Company did not have any related party transactions with entities outside the consolidated group for the years ended December 31, 2025 and 2024.

Material Accounting Policies

Refer to note 3 - Summary of Material Accounting Policies of the audited consolidated financial statements for a summary of significant accounting policies applied by the Company.

Significant Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make significant judgments, assumptions and estimates that affect the financial results of the Company. The following discussion outlines the accounting policies and practices involving the use of estimates that the Company believes are critical in determining Parex's financial results.

Oil and natural gas reserves

The Company retains qualified independent reserves evaluators to evaluate the Company's proved and probable oil and natural gas reserves. As at December 31, 2025, and in prior periods, Parex's reserves were evaluated by GLJ Ltd., who are a firm of qualified independent reserves evaluators. The evaluation was conducted in accordance with the COGE handbook and NI 51-101. The Operations and Reserves Committee of the Company's Board of Directors is comprised of independent directors whose mandate is to steward the reserves evaluation process.

The estimation of reserves involves the exercise of judgment. Forecasts are based on engineering data, expected rates of production and the timing of future capital expenditures, all of which are subject to major uncertainties and interpretations. The Company expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net income, as they are a key component in the calculation of DD&A and for determining potential asset impairment. A downward revision in reserves estimates or an increase in estimated future development costs could result in the recognition of a higher DD&A charge to net income.

Oil and natural gas assets (development and producing costs) are aggregated into CGUs based on their ability to generate largely independent cash flows. If the carrying value of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net income. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell may be determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of impairments charged to net income.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net income.

Decommissioning and Environmental Liabilities

The Company is required to recognize a liability for future dismantling, decommissioning, environmental, abandoning and site disturbance remediation costs associated with the Company's oil and natural gas properties in accordance with existing laws, contracts or other policies. The fair value of the estimated decommissioning and environmental liability is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related long-lived asset, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to net income, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Decommissioning and environmental liabilities are determined by using management's best estimate of costs, taking into account the anticipated method and extent of restoration consistent with legal requirements, technological advances, industry practices and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the Company's total decommissioning and environmental liability. These individual assumptions can be subject to change based on experience. Restoration technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations. The Company estimates future decommissioning and environmental costs based on current estimates adjusted for inflation. This estimate for inflation is also subject to management uncertainty.

Current and Deferred Tax

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in income tax rates on deferred tax liabilities and assets is recognized in net income in the period that the change occurs. Deferred tax assets are only recognized to the extent that it is probable that sufficient future taxable income will be available in the applicable jurisdiction to allow the deferred tax assets to be realized.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations from multiple jurisdictions. Rates are also affected by legislative changes. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded in the financial statements. Estimates of current income tax for interim periods are also subject to additional uncertainty. A variety of factors cannot be known until year-end and, therefore, estimates are used for interim period current tax provisions.

Share-Based Compensation

The Company records share-based compensation expense using the fair value method. The fair value of an option is calculated at the grant date and expensed equally over the vesting term of the option. The Company records the cumulative stock option based compensation as contributed surplus. When options are exercised, contributed surplus is reduced and share capital is increased by the amount of accumulated share-based compensation for the exercised option. Any consideration received on the exercise of stock options is credited to share capital. The determination of share-based compensation expense is based on assumptions regarding stock volatility, risk-free interest rates and the expected life of the options. These assumptions, by their nature, are subject to measurement uncertainty.

The fair value of CosRSUs, CosPSUs, LDRSUs and LDPSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares on the date of issuance, and expensed over the vesting period of the CosRSUs, CosPSUs, LDRSUs and LDPSUs. In accordance with the fair value method, increases or decreases in the fair value of the CosRSUs, CosPSUs, LDRSUs and LDPSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

CosPSUs and LDPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to CosPSUs and LDPSUs eligible to vest at the end of the performance period. The expense recognized over the vesting period of the CosPSUs and LDPSUs is the fair value of the CosPSUs and LDPSUs with an estimated adjustment factor.

The fair value of CRSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares on the date of issuance and expensed over the vesting period of the CRSUs. In accordance with the fair value method, increases or decreases in the fair value of the CRSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

The fair value of a DSU is calculated using the Black-Scholes pricing model based on the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the date of issuance and expensed immediately. In accordance with the fair value method, increases or decreases in the fair value of the DSUs result in a corresponding change in the recorded liability. The accrued compensation for a right that is forfeited is adjusted by decreasing compensation cost in the period of forfeiture.

Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired and is assessed for impairment at December 31 of each year. To test for impairment, goodwill is allocated to each of the Company's CGUs, or groups of CGUs, that are expected to benefit from the acquisition and is tested as described in the Company's impairment policy. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future net cash flows of proved plus probable reserves using forecast prices and costs. A downward revision in reserves estimates could result in the recognition of a goodwill impairment charge to net earnings.

These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves and discount rates as well as future development and operating costs. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGUs.

Derivative liabilities

Risk management contracts are initially recognized at fair value on the date a derivative contract is entered into and are remeasured at their fair value at each subsequent reporting date. The fair value of the risk management contract on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair value is based on quoted market price where available from active markets, otherwise fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions.

Legal, Environmental Remediation and other Contingent Matters

In respect of these matters, the Company is required to determine both whether a loss is probable based on judgment and interpretation of laws and regulations and if such a loss can reasonably be estimated. When any such loss is determined, it is charged to net income. Management continually monitors known and potential contingent matters and makes appropriate provisions by charges to net income when warranted by circumstances.

DIRECTORS

Wayne Foo
Chairman of the Board

Glenn McNamara
Vice Chair

Lynn Azar

Alberto Consuegra

Sigmund Cornelius

Mona Jasinski

Jeff Lawson

G.R. (Bob) MacDougall

Imad Mohsen

Carmen Sylvain

OFFICERS & SENIOR EXECUTIVES

Imad Mohsen
President & Chief Executive Officer

Daniel Ferreiro
President & Country Manager, Parex Resources (Colombia) AG Sucursal

Cameron Grainger
Chief Financial Officer

Eric Furlan
Chief Operating Officer

Mike Kruchten
Sr. Vice President, Capital Markets & Corporate Planning

Joshua Share
Sr. Vice President, Corporate Services

Katie Bernard
Vice President, New Ventures

CORPORATE HEADQUARTERS

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RESERVES EVALUATORS

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ABBREVIATIONS

Oil and Natural Gas Liquids	
bbl(s)	barrel(s)
mbbls	thousand barrels
bbl(s)/d	barrels of oil per day
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

Other	
WTI	West Texas Intermediate
Brent	Brent Ice
kms	Kilometers
FFO	Funds flow provided by operations

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets (unaudited)

As at (thousands of United States dollars)	NOTE	June 30, 2026	December 31, 2025
ASSETS			
Current assets			
Cash and cash equivalents	23	$ 163,286	$ 58,328
Restricted cash and cash equivalents	23	6,120	5,424
Accounts receivable	5	151,485	78,329
Prepaids and other current assets		35,506	13,357
Marketable securities	6	55,375	45,090
Derivative financial instruments	25	3,874	776
Current income tax receivable		145,149	68,363
Short-term inventory	7	41,452	4,327
		602,247	273,994
Exploration and evaluation	10	260,751	161,125
Property, plant and equipment	11	2,595,243	1,500,213
Long-term inventory	12	167,366	175,426
Other long-term assets	23	50,432	14,629
Deferred tax asset		486,039	142,253
Goodwill		73,452	73,452
		$ 4,235,530	$ 2,341,092
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 608,873	235,809
Current portion of customer prepayments	13	$ 48,889	—
Current portion of decommissioning and environmental liabilities	16	27,707	10,158
		685,469	245,967
Customer prepayments	13	31,111	—
Debt	14	792,265	33,000
Lease obligations	15	17,728	7,814
Decommissioning and environmental liabilities	16	313,856	79,007
Cash settled share-based compensation liabilities	17	11,471	15,228
Other long-term liabilities		31,906	7,143
		1,883,806	388,159
Shareholders' equity			
Share capital	18	624,657	621,062
Contributed surplus		20,469	20,738
Retained earnings		1,706,598	1,311,133
		2,351,724	1,952,933
		$ 4,235,530	$ 2,341,092

Commitments and Contingencies (note 27)
Subsequent Events (note 28)
See accompanying Notes to the Condensed Interim Consolidated Financial Statements

Approved by the Board:

"signed"	"signed"
Sigmund Cornelius	Bob MacDougall
Director	Director

Consolidated Statements of Net Income and Comprehensive Income (unaudited)

(thousands of United States dollars, except per share amounts)	NOTE	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Oil and natural gas sales	19	**$ 466,016**	$ 239,070	**$ 737,393**	$ 504,705
Royalties		**(72,961)**	(30,913)	**(109,749)**	(67,318)
Net revenue		**393,055**	208,157	**627,644**	437,387
Other revenue	19	**2,909**	2,319	**4,664**	4,831
Commodity risk management contracts gain (loss)	25	**(76)**	1,530	**(31,897)**	967
Revenue		**395,888**	212,006	**600,411**	443,185
Expenses					
Production		**90,766**	49,492	**148,082**	106,350
Transportation		**34,019**	17,421	**54,276**	34,239
Purchased crude oil		**36,709**	(30)	**36,756**	162
General and administrative		**23,412**	16,684	**45,839**	34,455
Unrealized (gain) loss on marketable securities	6	**2,433**	—	**(10,285)**	—
Transaction costs	8	**28,390**	—	**29,000**	—
Gain on acquisition	8	**(302,483)**	—	**(302,483)**	—
Depletion, depreciation and amortization	11	**62,382**	47,949	**113,671**	98,368
Cash settled share-based compensation (recovery) expense	17	**(606)**	6,294	**17,887**	8,206
Equity settled share-based compensation expense	18	**265**	182	**439**	362
Other expense	20	**8,970**	12,453	**26,327**	13,600
Foreign exchange gain		**(4,568)**	(2,037)	**(2,481)**	(3,621)
		(20,311)	148,408	**157,028**	292,121
Finance (income)	21	**(2,740)**	(612)	**(6,144)**	(1,909)
Finance expense	21	**17,219**	5,474	**23,984**	10,530
Net finance expense		**14,479**	4,862	**17,840**	8,621
Income before income taxes		**401,720**	58,736	**425,543**	142,443
Income tax expense					
Current tax expense		**16,889**	9,245	**17,960**	21,132
Deferred tax (recovery) expense		**(59,465)**	378	**(41,302)**	(8,431)
		(42,576)	9,623	**(23,342)**	12,701
Net income and comprehensive income for the period		**$ 444,296**	$ 49,113	**$ 448,885**	$ 129,742
Basic net income per common share	22	**$ 4.62**	$ 0.50	**$ 4.67**	$ 1.33
Diluted net income per common share	22	**$ 4.61**	$ 0.50	**$ 4.66**	$ 1.33

See accompanying Notes to the Condensed Interim Consolidated Financial Statements

Consolidated Statements of Changes in Equity (unaudited)

For the six months ended June 30, (thousands of United States dollars)		**2026**		2025
Share capital				
Balance, beginning of period	**$**	**621,062**	$	632,899
Issuance of common shares under equity-settled plans		**3,595**		—
Repurchase of shares		**—**		(5,733)
Balance, end of period	**$**	**624,657**	$	627,166
Contributed surplus				
Balance, beginning of period	**$**	**20,738**	$	20,024
Share-based compensation		**439**		362
Options exercised		**(708)**		—
Balance, end of period	**$**	**20,469**	$	20,386
Retained earnings				
Balance, beginning of period	**$**	**1,311,133**	$	1,178,398
Net income for the period		**448,885**		129,742
Repurchase of shares		**—**		(5,531)
Dividends		**(53,420)**		(53,926)
Balance, end of period	**$**	**1,706,598**	$	1,248,683
	$	**2,351,724**	$	1,896,235

See accompanying Notes to the Condensed Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows (unaudited)

(thousands of United States dollars)	NOTE	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Operating activities					
Net income		**$ 444,296**	$ 49,113	**$ 448,885**	$ 129,742
Add (deduct) non-cash items					
Unrealized (gain) loss on marketable securities	**6**	**2,433**	—	**(10,285)**	—
Gain on acquisition	**8**	**(302,483)**	—	**(302,483)**	—
Non-cash inventory fair value adjustment	**8**	**9,365**	–	**9,365**	–
Depletion, depreciation and amortization	**11**	**62,382**	47,949	**113,671**	98,368
Cash settled share-based compensation expense (recovery)	**17**	**(606)**	6,294	**17,887**	8,206
Equity settled share-based compensation expense	**18**	**265**	182	**439**	362
Non-cash other expense	**20**	**4,955**	374	**5,254**	580
Non-cash finance expense	**21**	**3,764**	3,262	**6,882**	6,386
Deferred tax (recovery) expense		**(59,465)**	378	**(41,302)**	(8,431)
Unrealized foreign exchange gain		**(2,217)**	(2,369)	**(1,507)**	(7,288)
Unrealized gain on commodity risk management contracts	**25**	**(30,635)**	(362)	**(1,050)**	(1,160)
Net change in assets and liabilities	**23**	**67,181**	37,821	**(22,435)**	3,255
Cash provided by operating activities		**199,235**	142,642	**223,321**	230,020
Investing activities					
Exploration and evaluation expenditures	**10**	**(64,562)**	(39,623)	**(107,323)**	(51,726)
Property, plant and equipment expenditures	**11**	**(69,131)**	(49,067)	**(117,413)**	(94,018)
Long-term inventory expenditures, net of transfers and sales	**12**	**1,243**	3,667	**8,060**	8,315
Business acquisition, net of cash acquired	**8**	**(232,179)**	—	**(307,179)**	—
Property acquisition	**9**	**—**	—	**—**	(15,968)
Net change in non-cash working capital	**23**	**9,976**	25,885	**14,545**	31,244
Cash (used in) investing activities		**(354,653)**	(59,138)	**(509,310)**	(122,153)
Financing activities					
Issuance of unsecured notes, proceeds	**14**	**500,000**	—	**500,000**	—
Issuance costs of unsecured notes	**14**	**(15,380)**	—	**(15,380)**	—
Bank debt repayment	**14**	**(175,200)**	(32,000)	**(33,000)**	(42,000)
Payments on lease obligations	**15**	**(1,699)**	(172)	**(2,314)**	(218)
Dividends	**18**	**(26,483)**	(27,561)	**(53,420)**	(53,926)
Common shares repurchased	**18**	**—**	(6,025)	**—**	(11,264)
Issuance of common shares under equity-settled plans	**18**	**916**	—	**2,887**	—
Net change in non-cash working capital	**23**	**—**	(1,331)	**—**	(1,228)
Cash provided by (used in) financing activities		**282,154**	(67,089)	**398,773**	(108,636)
Increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents for the period		**126,736**	16,415	**112,784**	(769)
Impact of foreign exchange on foreign currency-denominated cash balances		**4,944**	928	**5,525**	2,482
Cash and cash equivalents and restricted cash and cash equivalents, beginning of period	**23**	**50,572**	86,157	**63,943**	101,787
Cash and cash equivalents and restricted cash and cash equivalents, end of period	**23**	**$ 182,252**	$ 103,500	**$ 182,252**	$ 103,500

Supplemental Disclosure of Cash Flow Information (note 23)

See accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate Information

Parex Resources Inc. and its subsidiaries ("Parex" or "the Company") are in the business of the exploration, development, production and marketing of oil and natural gas in Colombia.

Parex Resources Inc. is a publicly traded company, incorporated and domiciled in Canada. Its registered office is at 2400, 525-8th Avenue S.W., Calgary, Alberta T2P 1G1. The Company was incorporated on August 17, 2009, pursuant to the Business Corporations Act (Alberta).

The condensed interim consolidated financial statements were approved by the Board of Directors on July 30, 2026.

2. Basis of Presentation and Material Accounting Policies

a) Statement of compliance

The condensed interim consolidated financial statements for the three and six months ended June 30, 2026 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2025, which have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The policies applied in these condensed interim consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of July 30, 2026, the date the Board of Directors approved the condensed interim consolidated financial statements.

b) Basis of measurement

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for those items which are measured at fair value as discussed in note 4 - Determination of Fair Values.

c) Use of management estimates, judgments and measurement uncertainty

The timely preparation of the condensed interim consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the condensed interim consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2025.

3. Summary of Material Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2025 with the addition of the below Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures.*

On January 1, 2026, the Company adopted the amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* in the interim period ending March 31, 2026. The amendments for disclosures relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. There was not a material effect to the Company's condensed interim consolidated financial statements. The Company has applied the election to deem financial liabilities settled in cash using an electronic payment system to be discharged before the settlement date. The amendments have been applied retrospectively with no restatement of comparative information, in accordance with transition requirements on initial application of IFRS 9. There is no adjustment to the opening balance of cash and cash equivalents in the consolidated statements of cash flows.

In addition, due to the acquisition of Frontera Petroleum International Holdings B.V. (see Note 8 - Business Combination), the following additional accounting policies have been updated:

Subsidiaries:
Frontera Energy Colombia AG has been identified as an additional principal operating subsidiary. Frontera Energy AG is incorporated in Switzerland and its principle business activity is oil and natural gas exploration and development in Colombia. Parex has 100% ownership of this subsidiary.

Customer prepayments:
The Company recognizes each contract in the statement of financial position as either a contract asset or a contract liability, based on the relationship between the Company's performance under the contract and the consideration received from the customer. Additionally, when a customer pays consideration, or when the Company has an unconditional right to consideration (i.e., a receivable) before transferring goods or services, the entity shall present the amount as a contract liability or customer prepayment in the statement of financial position (see Note 13 - Customer Prepayments). This classification applies at the earlier of the payment date or the date the payment becomes due. Financing components embedded in customer prepayment arrangements are recognized using the effective interest method over the term of the agreement when significant financing components exist.

In addition, due to the recognition of Equity tax in the current period, the following additional accounting policy has been updated:

Equity tax:
Equity tax represents a tax imposed by the Colombian Government on entities whose net equity exceeds a prescribed threshold as of a specified measurement date. The tax is recognized as an expense when the obligating event occurs and the amount can be reliably estimated. The related liability is measured based on the applicable tax rate applied to taxable net equity, considering enacted or substantively enacted tax legislation at the reporting date. Equity tax is recognized in profit or loss and is not included in income tax expense unless required by applicable tax legislation (see Note 20 - Other Expense).

Standards Issued but not yet Effective

i) IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which will replace IAS 1 and includes requirements for all entities applying IFRS for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expenses in the statement of income, as well as requiring disclosure about management-defined performance measures ("MPMs") and additional requirements regarding the aggregation and disaggregation of certain information. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted, and it must be adopted on a retrospective basis.

Parex is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements. Throughout 2026, Parex will assess system changes, draft and finalize financial statements to quantify the impact of changes, MPMs and related disclosures ahead of the 2027 effective date.

4. Determination of Fair Values

The methods used in the determination of fair value, for financial and non-financial assets and liabilities have not changed from the previous financial year. Refer to note 4 of the December 31, 2025 consolidated financial statements for details concerning determination of fair values.

5. Accounts Receivable

		June 30, 2026		December 31, 2025
Trade receivables	**$**	**105,162**	$	72,317
Receivables from partners		**30,323**		—
Value added taxes (VAT)		**16,000**		6,012
	$	**151,485**	$	78,329

Trade receivables consist primarily of oil sale receivables related to the Company's oil sales. Receivables from partners primarily relate to amounts recoverable from joint venture partners for their share of costs incurred under joint operations. VAT receivable consists of value-added taxes paid on Colombian oil and gas operating, capital, and administrative expenditures that are recoverable from the Colombian tax authorities. All accounts receivable are expected to be received within twelve months and are thus recognized as current assets.

6. Marketable Securities

		June 30, 2026		December 31, 2025
Marketable securities	**$**	**55,375**	$	45,090

In 2025, the Company acquired 6,084,986 common shares of GeoPark Ltd (NYSE: GPRK) for aggregate consideration of $40.5 million ($6.65 per share). The fair value of these shares at June 30, 2026 was $55.4 million, resulting in an unrealized gain of $10.3 million, which is recorded in the consolidated statements of net income and comprehensive income.

7. Short-term Inventory

		June 30, 2026		December 31, 2025
Crude oil inventory	**$**	**26,220**	$	4,327
Materials inventory		**15,232**		—
Total	**$**	**41,452**	$	4,327

Crude oil inventory consists of crude injected into pipelines and stored in tanks at the balance sheet date and is valued at the lower of cost using the weighted average cost method and net realizable value. Costs include direct and indirect expenditures incurred in bringing the crude oil to its existing condition and location.

Materials inventory consists of materials used in operations and is valued at the lower of cost and net realizable value.

8. Business Combination

Frontera Transaction

On June 1, 2026, the Company closed its previously announced acquisition of all the Colombian exploration and production assets of Frontera Energy Corporation, pursuant to which the Company, through a wholly-owned subsidiary, acquired 100% of the issued and outstanding shares of Frontera Petroleum International Holdings B.V., which holds all of Frontera's exploration and production assets in Colombia, for cash consideration of $500 million, plus the assumption of debt, in addition to a contingent payment of $25 million (the "Frontera Transaction"). The Frontera Transaction was funded with the proceeds from the Company's issuance of senior unsecured notes, see Note 14 - Debt for details.

The contingent consideration is payable to Frontera if, within 12 months following the closing of the Frontera Transaction, the Company obtains a contractual amendment or other binding agreement extending the term of the Quifa Association Contract. At the acquisition date, the contingent consideration was recognized at its estimated fair value of $12.5 million, reflecting management's probability-weighted assessment of the payment condition being satisfied. As any payment, if triggered, is expected within 12 months of the acquisition date, the effect of discounting was not material.

The fair value measurement of the contingent consideration is classified within Level 3 of the fair value hierarchy because it uses significant unobservable inputs, principally the probability of obtaining the required contractual extension. The contingent consideration was remeasured at June 30, 2026, with no change in its fair value recognized during the period.

IFRS 3 requires the amounts to record for the underlying assets and liabilities acquired to be determined at the closing date (the "acquisition date") whereas the consideration for the business was negotiated earlier and voted on by the Frontera shareholders April 30, 2026. Furthermore, deferred tax assets are recorded at undiscounted amounts based on temporary differences existing at the acquisition date and are therefore not recorded at fair value under IFRS. The tax basis of the underlying assets acquired is in Colombian pesos which differs from the functional currency of the company and due to volatility in currencies this also significantly increased the US dollar equivalent value of the tax pools at the acquisition date relative to the time when the purchase was negotiated. As a result, the Company has estimated that the deferred tax assets contributed to the recognition of a bargain purchase gain approximating the deferred tax assets recognized.

The consolidated statements of net income and comprehensive income include results of operations of the Frontera Transaction since the closing date of June 1, 2026. The Company incurred transaction costs in connection with the Frontera Transaction of $28.4 million and $29.0 million for the three and six months ended June 30, 2026 respectively, which are expensed as incurred and presented in the consolidated statements of net income and comprehensive income.

The below amounts are estimates which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized for a period of up to one year. The pro forma information disclosed below is presented for informational purposes only and is not necessarily indicative of the results that would have been achieved had the Frontera Transaction occurred on January 1, 2026, nor is it indicative of future results.

The key assumptions used in the business combination to calculate the purchase price allocation include reserve estimates of proved plus probable reserves acquired that are based on production forecasts, future commodity prices, future development costs and future production costs.

As a result of the acquisition, the Company recognized a bargain purchase gain of $302.5 million, representing the excess of the fair value of the identifiable net assets acquired over the consideration transferred. The bargain purchase gain was recognized in the consolidated statements of net income and comprehensive income.

Before recognizing the bargain purchase gain, the Company assessed the completeness and accuracy of the assets acquired, liabilities assumed and consideration transferred, including the valuation methodologies and key assumptions applied in determining acquisition-date fair values, in accordance with IFRS 3.

The following table summarizes the recognizable assets acquired, liabilities assumed and consideration paid pursuant to the Frontera Transaction:

Assets acquired and liabilities assumed		
Assets		
Cash and cash equivalents	$	165,859
Restricted cash and cash equivalents		10,657
Accounts receivables		84,094
Prepaids and other current assets		11,181
Short-term inventory		67,569
Current income tax receivable		61,927
Exploration and evaluation assets		11,089
Property, plant and equipment		986,557
Right-of-use-asset		16,003
Other long-term assets		18,198
Deferred tax asset		302,483
Liabilities		
Accounts payable and accrued liabilities		(344,031)
Derivative financial instruments		(1,282)
Long-term debt - unsecured notes		(307,311)
Customer prepayments		(80,300)
Lease obligations		(16,003)
Decommissioning and environmental liabilities		(179,999)
Other long-term liabilities		(8,013)
Net assets acquired	**$**	**798,678**
Consideration transferred		(496,195)
Bargain purchase gain	**$**	**302,483**

Consideration for the acquisition		
Base purchase price	$	500,000
Purchase price adjustments		(16,305)
Cash consideration paid at closing		483,695
Fair value of contingent consideration		12,500
Total consideration	**$**	**496,195**
Cash paid	$	483,695
Less: Cash and cash equivalents acquired		(176,516)
Net cash outflow on acquisition	**$**	**307,179**

The pro forma results for the six month period ended June 30, 2026 are shown below, as if the Frontera Transaction had occurred on January 1, 2026. Pro forma results are not indicative of actual results or future performance.

Oil and natural gas sales	$	1,205,557
Net revenue less direct costs	$	569,531

The pro forma net income and pro forma net income per share, basic and diluted, are considered impracticable to calculate and therefore not included. The consolidated statement of net income and comprehensive income for the six months ended June 30, 2026 includes $129.5 million of oil and natural gas sales attributable to the assets acquired since the Frontera Transaction. Revenue less direct costs for the six months ended June 30, 2026 attributable to the assets acquired since the Frontera Transaction is $39.7 million.

9. Property Acquisition

On March 14, 2025, Parex, through a foreign subsidiary, acquired an additional 25% working interest in the Azogue field in the LLA-32 Block and 12.5% working interest in the remainder of the LLA-32 Block (the "LLA-32 Acquisition") resulting in 100% working interest in the Block for the Company. The Company paid total net consideration of $16.0 million.

The consolidated statements of net income and comprehensive income includes results of operation of the LLA-32 Acquisition since the closing date of March 14, 2025. There were no transaction costs associated with the LLA-32 Acquisition.

This transaction has been accounted for using the acquisition method whereby the assets acquired and the liabilities assumed are recorded at fair values. As the fair value of the identifiable assets was determined to equal the purchase price, no goodwill arose on the transaction. The following table summarizes the recognizable assets acquired and consideration paid pursuant to the acquisition:

Assets acquired and liabilities assumed		
PP&E	$	16,788
Decommissioning liabilities		(820)
	$	15,968

Consideration for the acquisition		
Purchase price	$	19,000
Purchase price adjustments		(3,032)
Net consideration	$	15,968
Cash paid	$	14,970
Working capital adjustments		998
Total consideration paid	**$**	**15,968**

No working capital was included in the assets acquired.

The pro forma results for the six month period ended June 30, 2025 are shown below, as if the LLA-32 Acquisition had occurred on January 1, 2025. Pro forma results are not indicative of actual results or future performance.

Oil and natural gas sales	$	508,468
Net revenue less direct costs	$	299,815

The pro forma net income and pro forma net income per share, basic and diluted, are considered impracticable to calculate and therefore not included. The consolidated statement of net income and comprehensive income for the six months ended June 30, 2025 includes $11.3 million of oil sales attributable to the assets acquired since the LLA-32 Acquisition. Revenue less direct costs for the six months ended June 30, 2025 attributable to the assets acquired since the LLA-32 Acquisition is $7.3 million.

10. Exploration and Evaluation Assets

Cost		
Balance at December 31, 2024	**$**	**116,928**
Additions and transfers from long-term inventory		109,730
Transfers to PP&E		(60,020)
Changes in decommissioning liability		5,627
Exploration and evaluation impairment		(11,140)
Balance at December 31, 2025	**$**	**161,125**
Additions and transfers from long-term inventory		107,323
Acquired on close of business combination - Note 8		11,089
Transfers to PP&E		(28,961)
Changes in decommissioning liability		10,175
Balance at June 30, 2026	**$**	**260,751**

Exploration and Evaluation ("E&E") assets consist of the Company's exploration projects which are pending either the determination of proved or probable reserves or impairment. Additions and transfers of $107.3 million for the six months ended June 30, 2026 represent the Company's share of costs incurred on E&E assets during the period. During the six months ended June 30, 2026, $29.0 million of E&E assets were transferred to PP&E related to Block LLA-111.

For the six months ended June 30, 2026 $1.1 million of general and administrative costs (six months ended June 30, 2025 - $1.2 million) have been capitalized in respect of exploration and evaluation activities during the current period.

At June 30, 2026 and December 31, 2025 the Company did not have any E&E assets in Canada.

At June 30, 2026 there were no indicators of impairment noted.

11. Property, Plant and Equipment

	Canada	Colombia	Total
Cost			
Balance at December 31, 2024	**$ 21,432**	**$ 3,756,897**	**$ 3,778,329**
Additions and transfers from long-term inventory	1,340	199,255	200,595
Right-of-use-asset addition (non-cash)	—	4,338	4,338
Transfers from E&E assets	—	60,020	60,020
Additions related to property acquisition - Note 9	—	16,788	16,788
Changes in decommissioning and environmental liability	—	372	372
Balance at December 31, 2025	**$ 22,772**	**$ 4,037,670**	**$ 4,060,442**
Additions and transfers from long-term inventory	411	117,002	117,413
Right-of-use-asset addition (non-cash) - Note 8	—	16,003	16,003
Transfers from E&E assets	—	28,961	28,961
Acquired on close of business combination - Note 8	—	986,557	986,557
Changes in decommissioning and environmental liability	—	59,584	59,584
Balance at June 30, 2026	**$ 23,183**	**$ 5,245,777**	**$ 5,268,960**
Accumulated Depreciation, Depletion and Amortization			
Balance at December 31, 2024	**$ 12,513**	**$ 2,346,515**	**$ 2,359,028**
Depletion and depreciation for the year	2,312	196,701	199,013
Depreciation - Right-of-use-asset	740	652	1,392
DD&A included in crude oil inventory costing	—	796	796
Balance at December 31, 2025	**$ 15,565**	**$ 2,544,664**	**$ 2,560,229**
Depletion and depreciation for the period	1,158	111,231	112,389
Depreciation - Right-of-use-asset	377	905	1,282
DD&A included in crude oil inventory costing	—	(183)	(183)
Balance at June 30, 2026	**$ 17,100**	**$ 2,656,617**	**$ 2,673,717**
Net book value:			
As at December 31, 2024	$ 8,919	$ 1,410,382	$ 1,419,301
As at December 31, 2025	$ 7,207	$ 1,493,006	$ 1,500,213
As at June 30, 2026	**$ 6,083**	**$ 2,589,160**	**$ 2,595,243**

In the six months ended June 30, 2026 property, plant and equipment ("PPE") additions of $117.4 million mainly relate to drilling and facility costs in Colombia. During the six months ended June 30, 2026, $29.0 million of E&E assets were transferred to PP&E related to Block LLA-111.

For the six months ended June 30, 2026 future development costs of $836.0 million (six months ended June 30, 2025 - $378.0 million) were included in the depletion calculation for development and production assets. For the six months ended June 30, 2026 $3.7 million of general and administrative costs (six months ended June 30, 2025 - $3.6 million) have been capitalized in respect of development and production activities during the current period.

At June 30, 2026 there were no indicators of impairment noted, or indicators requiring a reversal of previously recorded impairments.

12. Long-term Inventory

The Company has long-lead material inventory such as drill casing, natural gas compressors, and other major equipment.

Cost		
Balance at December 31, 2024	**$**	**199,474**
Additions		10,441
Transfers to E&E and PP&E assets		(25,045)
Transfer to production costs		(1,787)
Sale of inventory		(1,187)
Impairment		(6,470)
Balance at December 31, 2025	**$**	**175,426**
Additions		7,224
Transfers to E&E and PP&E assets		(14,558)
Sale of inventory		(726)
Balance at June 30, 2026	**$**	**167,366**

For the six months ended June 30, 2026, long-term inventory additions were $7.2 million, $14.6 million of long-term inventory was incorporated into the costs of E&E and PP&E projects and $0.7 million of inventory was sold. At June 30, 2026 there were no indicators of impairment noted.

13. Customer prepayments

		June 30, 2026		December 31, 2025
Current portion of customer prepayments	**$**	**48,889**	$	—
Non-current portion of customer prepayments		**31,111**		—
Total customer prepayments	**$**	**80,000**	$	—

In conjunction with the Frontera Transaction, the Company assumed all of Frontera's obligations under its customer prepayments. In December 2025, Frontera entered into a 24-month agreement with Chevron Products Company ("Chevron") to supply 500,000 barrels of crude oil per month. An advance payment of $80 million was received and recorded as a customer prepayment, to be recognized as revenue upon monthly deliveries. The sales price will be based on the Brent reference price, adjusted for applicable differentials and discounts, and repayment of the prepayment amount will begin after a six-month grace period. The Company may request an additional $40 million advance for up to six months on a fully committed basis. Under the agreement, the prepayment amounts will be subject to a financial discount calculated at SOFR plus 4.25% per annum.

As at June 30, 2026, customer prepayments are principally attributable to the advance payment received under the crude oil supply agreement described above. As at June 30, 2026, the carrying value for customer prepayments was $80.0 million, which includes short-term prepayments of $48.9 million.

14. Debt

	June 30, 2026	December 31, 2025
2031 Unsecured notes	**$ 484,953**	$ —
2028 Unsecured notes	**307,312**	—
Total Unsecured notes	**792,265**	—
Credit facility	**—**	33,000
Total debt	**$ 792,265**	$ 33,000

Unsecured Notes

2031 Unsecured Notes

On May 11, 2026, in conjunction with the Frontera Transaction, the Company completed a $500.0 million private placement offering of senior unsecured notes due 2031 ("2031 Unsecured Notes") to fund the acquisition and for general corporate purposes. The notes were priced at par, bear interest at a rate of 8.50% per annum and mature on May 11, 2031, unless earlier redeemed or repurchased. The interest is payable semi-annually in arrears on November 11 and May 11 of each year, beginning on November 11, 2026. The carrying value for the 2031 Unsecured Notes as at June 30, 2026 was $485.0 million compared to the fair value of $508.0 million (Level 2 input).
Net proceeds from the sale of the Notes were $484.6 million, after deducting the initial offering expenses payable by the Company of $15.4 million.

Key covenants include a fixed charge test of not less than 2.25:1 and net debt to adjusted EBITDA test of 3.50:1 and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

2028 Unsecured Notes

In conjunction with the Frontera Transaction, the Company assumed all of Frontera's obligations under its $310.0 million aggregate principal amount of 7.875% senior unsecured notes due 2028 ("2028 Unsecured Notes") issued on June 21, 2021. The interest is payable semi-annually in arrears on June 21 and December 21 of each year, beginning on December 21, 2021. The 2028 Unsecured Notes will mature June 21, 2028, unless earlier redeemed or repurchased. The carrying value for the 2028 Unsecured Notes as at June 30, 2026 was $307.3 million compared to the fair value of $308.8 million (Level 2 input).

Key covenants include a fixed charge test of not less than 2.25:1 and net debt to adjusted EBITDA test of 3.25:1 and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

The 2028 and 2031 unsecured notes are subordinated to secured debt to the extent of the value of the assets securing such indebtedness.

Credit Facility

The Company has a senior secured credit facility with a syndicate of banks which at June 30, 2026 had a borrowing base of $240.0 million (December 31, 2025 - $240.0 million). The credit facility is intended to serve as means to increase liquidity and fund cash or letter of credit needs as they arise. At June 30, 2026, there was no draw on the credit facility (at December 31, 2025 - $33.0 million was drawn). The undrawn capacity on the credit facility at June 30, 2026 was $240.0 million (December 31, 2025 - $207.0 million).

The credit facility bears interest and fees based in the following manner:
(i) advances on the revolving facility bear interest at rates per annum equal to U.S. Base Rate or SOFR plus applicable margins;
(ii) advances on the operating line bear interest at rates per annum equal to Canadian Prime Rate plus applicable margins; and
(iii) undrawn amounts bear a commitment fee.

The credit facility is secured by the Company's Colombian assets and has final maturity date of May 31, 2028. The next annual review is scheduled to occur in May 2027.

Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3.50:1, senior secured debt to adjusted EBITDA test of 3.00:1, and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

Refer to note 27 – Commitments and Contingencies for details regarding performance guarantees in place with the Colombian National Hydrocarbon Agency ("ANH") and Empresa Colombiana de Petróleos S.A. ("Ecopetrol") in respect of exploration work commitments on the Company's Colombian concessions. These guarantees have been provided in the form of unsecured letters of credit issued by select Latin American banks with varying terms and are reduced from time to time to reflect work performed on the various blocks.

15. Lease Obligations

	Canada	Colombia	Total
Balance at December 31, 2024	**$ 4,071**	**$ 1,132**	**$ 5,203**
Additions	—	4,338	4,338
Interest expense	34	331	365
Lease payments	(586)	(531)	(1,117)
Foreign exchange loss	159	197	356
Balance at December 31, 2025	**$ 3,678**	**$ 5,467**	**$ 9,145**
Acquired on close of business combination - Note 8	—	16,003	16,003
Interest expense	16	431	447
Lease payments	(362)	(2,399)	(2,761)
Foreign exchange loss (gain)	(134)	216	82
Balance at June 30, 2026	**$ 3,198**	**$ 19,718**	**$ 22,916**
Current obligation	(739)	(4,449)	(5,188)
Long-term obligation	**$ 2,459**	**$ 15,269**	**$ 17,728**

In connection with the Frontera Transaction, the Company assumed Frontera's obligations under its existing lease arrangements. The leases relate to various properties, vehicles, power generation supply, including the arrangements associated to the CPE-6 Solar Plant and CPE-6 Battery Energy Storage System, and other assets.

16. Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2024	$ 68,469	$ 9,206	$ 77,675
Additions	6,407	3,275	9,682
Property acquisitions - Note 9	702	118	820
Settlements of obligations during the year	(5,877)	(3,635)	(9,512)
Loss (gain) on settlement of obligations	596	(449)	147
Accretion expense	8,160	962	9,122
Change in estimate - inflation and discount rates	(6,197)	(1,192)	(7,389)
Change in estimate - costs and timing of settlements	2,216	1,490	3,706
Foreign exchange loss	3,087	1,827	4,914
Balance, December 31, 2025	$ 77,563	$ 11,602	$ 89,165
Additions	10,772	2,723	13,495
Acquired on close of business combination - Note 8	156,249	23,750	179,999
Discount rate adjustment on obligations acquired	32,355	5,894	38,249
Settlements of obligations during the period	(8,614)	(2,450)	(11,064)
Gain on settlement of obligations	(1,046)	(175)	(1,221)
Accretion expense	5,442	826	6,268
Change in estimate - inflation and discount rates	17,830	4,264	22,094
Change in estimate - costs and timing of settlements	(5,014)	935	(4,079)
Foreign exchange loss	5,537	3,120	8,657
Balance, June 30, 2026	**$ 291,074**	**$ 50,489**	**$ 341,563**
Current obligation	(18,572)	(9,135)	(27,707)
Long-term obligation	**$ 272,502**	**$ 41,354**	**$ 313,856**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at June 30, 2026, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $641.6 million as at June 30, 2026 (December 31, 2025 – $244.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 11.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2025 – 12.5% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $18.6 million (December 31, 2025 – $7.3 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $100.4 million as at June 30, 2026 (December 31, 2025 – $29.7 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 11.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2025 – 12.5% risk-free discount rate and a 4.0% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $9.1 million (December 31, 2025 – $2.8 million) that is classified as a current obligation.

17. Cash Settled Incentive Plans

a) Cash or Share Settled Restricted Share Units and Performance Share Units ("CosRSUs and CosPSUs")

The Company has in place a cash or share settled RSU/PSU incentive plan. This plan provides for the issuance of RSUs and PSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise or the employee can elect to receive the award in Parex common shares. CosRSUs and CosPSUs vest over a three-year period and are exercised at the vest date.

CosRSU:	Number of CosRSUs	Weighted average exercise price Cdn$/ CosRSU
Balance, December 31, 2024	1,162,252	—
Granted[1]	1,037,144	—
Exercised	(569,595)	—
Forfeited	(133,366)	—
Balance, December 31, 2025	1,496,435	—
Granted[1]	495,727	—
Exercised	(624,659)	—
Forfeited	(113,660)	—
Balance, June 30, 2026	**1,253,843**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

CosPSU:	Number of CosPSUs	Weighted average exercise price Cdn$/ CosPSU
Balance, December 31, 2024	682,587	—
Granted[1]	156,917	—
Granted by performance factor	40,596	—
Exercised	(303,208)	—
Forfeited	(28,793)	—
Balance, December 31, 2025	548,099	—
Granted[1]	68,808	—
Granted by performance factor	235,720	—
Exercised	(532,633)	—
Forfeited	(68,555)	—
Balance, June 30, 2026	**251,439**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

As at June 30, 2026 and 2025, no CosRSUs and CosPSUs were vested.

The weighted average fair value at the grant date for the six months ended June 30, 2026 was Cdn$26.26 per CosRSU and CosPSU (six months ended June 30, 2025 - Cdn$12.71 per CosRSU and CosPSU). The weighted average share price on the exercise date for CosRSUs and CosPSUs exercised during the six months ended June 30, 2026 was Cdn$21.95 (six months ended June 30, 2025 – Cdn$13.67).

Pursuant to the cash or share settled restricted share unit and performance share unit plan, the Company has granted cash or share settled performance share units to certain employees. The CosPSUs vest three years after the grant date. CosPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to CosPSUs eligible to vest at the end of the performance period. In March 2026 the board of directors approved a multiplier of 1.67X be applied to the 2023 CosPSU grant resulting in 235,720 CosPSUs issued. In March 2025 the board of directors approved a multiplier of 1.15X be applied to the 2022 CosPSU grant resulting in 40,596 CosPSUs issued.

Obligations for payments of cash under the CosRSUs and CosPSUs plans are accrued as compensation expense over the vesting period based on the fair value of CosRSUs and CosPSUs. The fair value of CosRSUs and CosPSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. As at June 30, 2026, the total CosRSUs and CosPSUs liability accrued is $8.3 million (December 31, 2025 - $18.8 million) of which $2.8 million (December 31, 2025 - $4.5 million) is classified as long-term in accordance with the three-year vesting period.

b) Long Duration Restricted Share Units and Performance Share Units ("LDRSUs and LDPSUs")

In May 2024, Parex put in place the new long duration RSU/PSU incentive plan. This plan provides for the issuance of LDRSUs and LDPSUs to certain employees of Parex Canada. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise, or the employee can elect to receive the award in common shares. LDRSUs vest over a three-year period and expire ten years from the date of grant. LDPSUs vest three years after the grant date and expire ten years after the grant date.

LDRSU:	Number of LDRSUs	Weighted average exercise price Cdn$/ LDRSU
Balance, December 31, 2024	102,495	—
Granted[(1)]	208,953	—
Balance, December 31, 2025	311,448	—
Granted[(1)]	104,705	—
Exercised	(14,500)	—
Balance, June 30, 2026	**401,653**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

LDPSU:	Number of LDPSUs	Weighted average exercise price Cdn$/ LDPSU
Balance, December 31, 2024	208,577	—
Granted[(1)]	414,321	—
Balance, December 31, 2025	622,898	—
Granted[(1)]	210,255	—
Balance, June 30, 2026	**833,153**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

As at June 30, 2026 129,578 LDRSUs and no LDPSUs were vested. As at June 30, 2025 36,779 LDRSUs and no LDPSUs were vested.

The weighted average fair value at the grant date for the six months ended June 30, 2026 was Cdn$26.32 per LDRSU and LDPSU (six months ended June 30, 2025 - Cdn$12.75 per LDRSU and LDPSU). The weighted average share price on the exercise date for LDRSUs exercised during the six months ended June 30, 2026 was Cdn$25.30.

Pursuant to the long duration restricted share unit and performance share unit plan, the Company has granted performance share units to certain employees. The LDPSUs vest three years after the grant date and expire ten years after the grant date. LDPSUs may be granted with certain performance measures, specified at the grant date as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor of between 0-2x is applied to LDPSUs eligible to vest at the end of the performance period.

Obligations for payments of cash under the LDRSUs and LDPSUs plans are accrued as compensation expense over the vesting period based on the fair value of LDRSUs and LDPSUs. The fair value of LDRSUs and LDPSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. As at June 30, 2026, the total LDRSUs and LDPSUs liability accrued is $6.9 million (December 31, 2025 - $4.0 million) of which $1.8 million (December 31, 2025 - $2.8 million) is classified as long-term in accordance with the three-year vesting period.

c) Deferred share units ("DSUs")

The Company has in place a deferred share unit plan pursuant to which the Company may grant deferred shares to all non-employee directors. The deferred share units vest immediately and are settled in cash upon the retirement of the non-employee director from the Parex Board. The value of the DSUs at the exercise date is equivalent to the five-day weighted average share price at which the common shares of the Company traded for immediately preceding the exercise date. DSUs can only be redeemed following retirement from the Board of Directors of the Company in accordance with the terms of the DSU Plan. The DSUs liability cannot be settled by the issuance of common shares.

	Number of DSU's	Weighted average exercise price Cdn$/ DSU
Balance, December 31, 2024	348,812	—
Granted[(1)]	128,621	—
Exercised on board retirement	(68,767)	—
Balance, December 31, 2025	408,666	—
Granted[(1)]	42,473	—
Exercised on board retirement	(119,060)	—
Balance, June 30, 2026	**332,079**	—

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The weighted average fair value at the grant date for the six months ended June 30, 2026 was $21.39 per DSU (six months ended June 30, 2025 - Cdn$10.88 per DSU). The weighted average share price on the exercise date for DSUs exercised during the six months ended June 30, 2026 was Cdn $20.77. There were no DSUs exercised in the six months ended June 30, 2025.

Given the DSUs vest immediately, obligations for payments of cash under the DSUs plan are accrued as compensation expense immediately based on the fair value of the DSU.

As at June 30, 2026, the total DSUs liability accrued is $5.0 million (December 31, 2025 - $5.5 million) of which $4.7 million (December 31, 2025 - $4.5 million) is classified as long-term in accordance with the terms of the DSU plan.

d) Cash settled restricted share units ("CRSUs")

Parex Colombia has a CRSUs plan that provides for the issuance of CRSUs to certain employees of Parex Colombia. The plan entitles the holders to receive a cash payment equal to the market price of the Company's common shares at the time of exercise. CRSUs vest over a three-year period and are exercised at the vest date. The CRSUs liability cannot be settled by the issuance of common shares.

	Number of CRSUs	Weighted average exercise price Cdn$/ CRSU
Balance, December 31, 2024	810,676	—
Granted[(1)]	1,008,076	—
Exercised	(371,742)	—
Forfeited	(88,248)	—
Balance, December 31, 2025	1,358,762	—
Granted[(1)]	489,027	—
Exercised	(550,302)	—
Forfeited	(84,687)	—
Balance, June 30, 2026	**1,212,800**	**—**

(1) Grants include units related to dividend equivalents granted on awards outstanding.

The weighted average fair value at the grant date for six months ended June 30, 2026 was Cdn$23.14 per CRSU (six months ended June 30, 2025 - Cdn$12.74 per CRSU). The weighted average share price on the exercise date for CRSUs exercised for the six months ended June 30, 2026 was Cdn$21.73 (six months ended June 30, 2025 – Cdn$13.90).

Obligations for payments of cash under the CRSUs plan are accrued as compensation expense over the vesting period based on the fair value of CRSUs. The fair value of CRSUs is calculated using the Black-Scholes pricing model based on the market price of the Company's common shares at the valuation date. As at June 30, 2026, the total CRSUs liability accrued is $7.0 million (December 31, 2025 - $9.3 million) of which $2.1 million (December 31, 2025 - $3.4 million) is classified as long-term in accordance with the three-year vesting period.

e) Cash settled share-based compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
CosRSUs and CosPSUs expense	**$ 1,547**	$ 2,837	**$ 8,574**	$ 4,629
LDRSUs and LDPSUs expense (recovery)	**(626)**	592	**3,109**	831
DSUs expense (recovery)	**(781)**	1,322	**1,596**	1,143
CRSUs expense (recovery)	**(746)**	1,543	**4,608**	1,603
Total cash settled share-based compensation expense (recovery)	**$ (606)**	$ 6,294	**$ 17,887**	$ 8,206
Cash payments made upon exercise in the period	**$ 3,425**	$ 518	**$ 29,577**	$ 11,232

18. Share Capital

a) Issued and outstanding common shares

	Number of shares		Amount
Balance, December 31, 2024	98,339,036	$	632,899
Repurchase of shares	(2,364,900)		(11,837)
Balance, December 31, 2025	95,974,136	$	621,062
Issued for cash - exercise of options	206,118		2,887
Allocation of contributed surplus – exercise of options	—		708
Balance, June 30, 2026	**96,180,254**	**$**	**624,657**

The Company has authorized an unlimited number of voting common shares without nominal or par value.

In the six months ended June 30, 2026, there were 206,118 options exercised for proceeds of $2.9 million (year ended December 31, 2025 - no options were exercised). For the six months ended June 30, 2026, the Company did not repurchase any common shares pursuant to its Normal Course Issuer Bid.

For the year ended December 31, 2025, the Company repurchased 2,364,900 common shares pursuant to its Normal Course Issuer Bid at a cost of $26.5 million (average cost per share of Cdn$15.37). The cost to repurchase common shares at a price in excess of their average book value has been charged to retained earnings.

Dividends paid in 2026 were $53.4 million or Cdn$0.77 per share (for the year ended December 31, 2025 - $107.7 million or Cdn$1.54 per share) to shareholders on record for each dividend payment.

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's officers and certain employees to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 5% of the number of common shares issued and outstanding. The stock options vest over a three-year period and expire five years from the date of grant.

	Number of stock options	Weighted average exercise price Cdn$/option
Balance, December 31, 2024	899,429	22.78
Granted	533,022	12.74
Forfeited	(178,843)	21.52
Balance, December 31, 2025	1,253,608	18.69
Granted	341,386	25.72
Exercised	(206,118)	19.31
Forfeited	(168,583)	20.97
Balance, June 30, 2026	**1,220,293**	**20.24**

Stock options outstanding and the weighted average remaining life of the stock options at June 30, 2026 are as follows:

	Options outstanding			Options vested		
Exercise price Cdn$	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option	Number of options	Weighted average remaining life (years)	Weighted average exercise price Cdn$/option
$12.74 - $16.90	433,177	3.69	$ 12.74	96,894	3.69	$ 12.74
$16.91 - $21.92	194,028	2.68	$ 21.06	116,869	2.68	$ 21.06
$21.93 - $25.60	116,804	1.60	$ 22.81	116,804	1.60	$ 22.81
$25.61 - $26.37	341,386	4.70	$ 25.72	—	—	$ —
$26.38 - $27.02	134,898	0.61	$ 27.02	134,898	0.61	$ 27.02
	1,220,293	**3.27**	**$ 20.24**	**465,465**	**2.02**	**$ 21.50**

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the six months ended June 30,	**2026**	2025
Risk-free interest rate (%)	**2.94**	2.66
Expected life (years)	**4**	4
Expected volatility (%)	**41**	41
Forfeiture rate (%)	**3**	3
Expected dividend yield (%)	**7.20**	11.07

The weighted average fair value at the grant date for the six months ended June 30, 2026 was Cdn$5.76 per option (six months ended June 30, 2025 - Cdn$1.68 per option). In the six months ended June 30, 2026, there were 206,118 options exercised. The weighted average share price on the exercise date for options exercised in the six months ended June 30, 2026 was $27.01.

c) Equity settled share-based compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Option expense	**$ 265**	$ 182	**$ 439**	$ 362
Total equity settled share-based compensation expense	**$ 265**	$ 182	**$ 439**	$ 362

19. Oil and Natural Gas Sales and Other Revenue

The Company's oil and natural gas production sales is determined pursuant to the terms of the revenue agreements. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The Company's oil and natural gas sales by product are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Crude oil	**$ 455,076**	$ 232,465	**$ 717,530**	$ 492,342
Natural gas	**10,940**	6,605	**19,863**	12,363
Oil and natural gas sales	**$ 466,016**	$ 239,070	**$ 737,393**	$ 504,705

At June 30, 2026, receivables from contracts with customers, which are included in accounts receivable, were $105.2 million (December 31, 2025 - $72.3 million).

The Company's other revenue includes pipeline transportation revenue and revenue related to energy generation and use of infrastructure.

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Other revenue	**$ 2,909**	$ 2,319	**$ 4,664**	$ 4,831

20. Other Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Other Colombian taxes	**$ 622**	$ 2,545	**$ 2,203**	3,326
Colombian tax credit purchased	**—**	8,097	**—**	8,097
Equity tax	**(712)**	—	**6,288**	—
Legal provisions	**1,343**	—	**1,519**	—
(Gain) loss on settlement of decommissioning liabilities	**(1,205)**	357	**(1,221)**	545
Loss on disposition of tangible assets	**4,232**	17	**4,371**	35
Site restoration costs	**4,234**	—	**10,803**	—
Other	**456**	1,437	**2,364**	1,597
Total other expense	**$ 8,970**	$ 12,453	**$ 26,327**	$ 13,600

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Non-cash other expense	**$ 4,955**	$ 374	**$ 5,254**	$ 580
Cash other expense	**4,015**	12,079	**21,073**	13,020
Total other expense	**$ 8,970**	$ 12,453	**$ 26,327**	$ 13,600

On February 24, 2026, through Executive Order 0173, the Colombian Government created a new equity tax applicable for fiscal year 2026. The tax applies to legal entities and de facto partnerships that are income tax filers in Colombia. The tax is assessed and becomes payable on equity as of March 1, 2026 equal to or exceeding 200,000 tax unit's value (UVT) (approximately COP$10.5 billion or US$2.7 million) at rates from 0.5% to 1.6%. This Executive Order will be challenged through the Constitutional Court and it may or may not be overturned by the Court. The equity tax payable was settled by June 30, 2026.

Legal provisions have been recognized in respect of estimated fines and penalties mainly arising from environmental regulatory disputes. Management has assessed the likelihood of settlement and determined the best estimate based on relevant legislation and the probability of enforcement outcomes. The timing of the outflows is expected within 10 years. Significant judgement was applied in estimating the range of possible outcomes given the uncertainty involved.

A provision has been recognized for the estimated costs required for site restoration in accordance with applicable regulations and contractual obligations. Management expects that a portion of these restoration costs will be recovered through insurance arrangements. Insurance recoveries are recognized only when recovery is virtually certain.

21. Net Finance Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Bank charges and credit facility fees	**$ 1,008**	$ 1,402	**$ 2,226**	$ 2,191
Interest on bank debt	**3,052**	465	**4,826**	1,234
Interest on senior unsecured notes	**7,853**	—	**7,853**	—
Amortization of deferred note issuance costs	**333**	—	**333**	—
Accretion on decommissioning and environmental liabilities	**3,624**	3,316	**6,268**	6,538
Interest and other income	**(2,740)**	(612)	**(6,144)**	(1,909)
Lease obligation interest expense	**268**	46	**447**	93
Expected credit loss provision (recovery)	**139**	(50)	**613**	(149)
Other	**942**	295	**1,418**	623
Net finance expense	**$ 14,479**	$ 4,862	**$ 17,840**	$ 8,621

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Non-cash finance expense	**$ 3,764**	$ 3,262	**$ 6,882**	$ 6,386
Cash finance expense	**10,715**	1,600	**10,958**	2,235
Net finance expense	**$ 14,479**	$ 4,862	**$ 17,840**	$ 8,621

22. Net Income per Share

a) Basic net income per share

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Net income				
Net income for the purpose of basic net income per share	**$ 444,296**	$ 49,113	**$ 448,885**	$ 129,742
Weighted average number of shares for the purposes of basic net income per share (000s)	**96,179**	97,501	**96,086**	97,806
Basic net income per share	**$ 4.62**	$ 0.50	**$ 4.67**	$ 1.33

b) Diluted net income per share

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Net income				
Net income used to calculate diluted net income per share	**$ 444,296**	$ 49,113	**$ 448,885**	$ 129,742
Weighted average number of shares for the purposes of basic net income per share (000s)	**96,179**	97,501	**96,086**	97,806
Dilutive effect of stock options on potential common shares	**261**	—	**219**	—
Weighted average number of shares for the purposes of diluted net income per share (000s)	**96,440**	97,501	**96,305**	97,806
Diluted net income per share	**$ 4.61**	$ 0.50	**$ 4.66**	$ 1.33

For the three and six months ended June 30, 2026, 478,130 stock options (three and six months ended June 30, 2025 - 1,288,323 stock options) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

23. Supplemental Disclosure of Cash Flow Information

a) Reconciliation of cash and cash equivalents and restricted cash and cash equivalents

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the amounts shown in the consolidated statement of cash flows:

	As at June 30,		As at March 31,		As at December 31,	
	2026	2025	2026	2025	2025	2024
Cash and cash equivalents	**$ 163,286**	$ 98,825	$ 44,775	$ 81,025	$ 58,328	$ 98,022
Restricted cash and cash equivalents - current	**6,120**	597	5,504	619	5,424	581
Restricted cash and cash equivalents - long-term[(1)]	**12,846**	4,078	293	4,513	191	3,184
	$ 182,252	$ 103,500	$ 50,572	$ 86,157	$ 63,943	$ 101,787

(1) Included in Other long-term assets on the consolidated balance sheet.

b) Net change in assets and liabilities

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Accounts receivable	**$ 72,473**	$ 39,812	**$ 10,938**	$ 17,912
Prepaids and other current assets	**(6,516)**	3,794	**(10,968)**	1,671
Short-term inventory	**22,211**	1,060	**21,079**	1,808
Current income tax receivable/payable	**(18,016)**	(2,986)	**(14,859)**	(9,983)
Accounts payable and accrued liabilities	**16,255**	22,388	**(2,533)**	26,629
Customer prepayments	**(300)**	—	**(300)**	—
Depletion related to oil inventory	**(439)**	(327)	**(183)**	(546)
Decommissioning and environmental liabilities	**(8,511)**	(1,366)	**(11,064)**	(4,220)
Net change in assets and liabilities	**$ 77,157**	$ 62,375	**$ (7,890)**	$ 33,271
Operating	**$ 67,181**	$ 37,821	**$ (22,435)**	$ 3,255
Investing	**9,976**	25,885	**14,545**	31,244
Financing	**—**	(1,331)	**—**	(1,228)
Net change in assets and liabilities	**$ 77,157**	$ 62,375	**$ (7,890)**	$ 33,271

c) Interest and taxes paid

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Cash interest paid	**$ 14,505**	$ 625	**$ 15,661**	$ 1,682
Cash income taxes paid	**$ —**	$ —	**$ —**	$ —

24. Capital Management

The Company's objective when managing capital is to maintain a strong capital base that provides financial flexibility to fund operations, execute its business strategy and maintain the confidence of investors, lenders and other capital providers.

The Company has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure, share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure to include shareholders' equity, the credit facility, unsecured notes and its working capital. As at June 30, 2026 shareholders' equity was $2,351.7 million (December 31, 2025 - $1,952.9 million).

The Company has a senior secured credit facility with a syndicate of banks with a borrowing base of $240.0 million at June 30, 2026 (December 31, 2025 - $240.0 million). The credit facility is intended to provide additional liquidity and fund cash or letter of credit needs as they arise. As at June 30, 2026 there was no draw on the credit facility (at December 31, 2025 - $33.0 million was drawn).

Refer to note 14 - Debt for details regarding the Company's senior secured credit facility and senior unsecured notes.

Refer to note 27 – Commitments and Contingencies for details regarding performance guarantees in place with the ANH and Ecopetrol in respect of exploration work commitments on the Company's Colombian concessions. These guarantees have been provided in the form of unsecured letters of credit issued by select Latin American banks with varying terms and are reduced from time to time to reflect work performed on the various blocks.

As at June 30, 2026, the Company's net working capital deficit was $83.2 million (December 31, 2025 - $28.0 million surplus).

The Company is subject to financial covenants under its senior secured credit facility and senior unsecured notes. As at June 30, 2026, the Company was in compliance with all externally imposed capital requirements.

25. Financial Instruments and Risk Management

The Company's non-derivative financial instruments recognized on the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, marketable securities, accounts payable and accrued liabilities, the senior secured credit facility and senior unsecured notes. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to the short-term nature of these instruments. The fair value of the revolving credit facility approximates its carrying amount as the facility bears interest at floating rates and the credit spreads within the facility are indicative of market rates. The fair value of the senior unsecured notes is determined based on quoted market prices and other observable market inputs and is classified as Level 2 within the fair value hierarchy. Refer to note 14 - Debt for the carrying values and fair values of the Company's senior unsecured notes as at June 30, 2026.

As at June 30, 2026, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Canadian dollar and COP against the US dollar would have decreased (increased) net income by approximately $19.9 million.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk primarily arises from cash and cash equivalents and accounts receivable from joint venture partners and oil marketing counterparties.

The Company manages credit risk related to cash and cash equivalents by maintaining balances with reputable financial institutions, monitoring the creditworthiness of banking counterparties, and assessing counterparty exposure.

The Company manages credit risk associated with accounts receivable by assessing the financial strength and creditworthiness of oil marketing counterparties and joint venture partners, monitoring outstanding balances, and evaluating the collectability of amounts owed to the Company.

For the six months ended June 30, 2026 the Company had the majority of its oil sales to one counterparty. The accounts receivable balance as at June 30, 2026 are substantially made up of receivables with customers in the oil and gas industry and are subject to normal industry credit risks. The Company historically has not experienced any collection issues with its crude oil customers. At June 30, 2026, there were no accounts receivable past due (December 31, 2025 - $nil). None of the Company's receivables are impaired at June 30, 2026. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

b) Liquidity risk

The Company's approach to managing liquidity risk is to maintain sufficient cash balances, cash flows from operations, available credit facilities and access to debt to meet its obligations as they become due. Management prepares cash flow forecasts for a period of 12 to 36 months to identify any financing requirements and monitor liquidity. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. The Company is committed to maintaining a strong balance sheet and has the ability to change its capital program based on expected operating cash flows. During the six months ended June 30, 2026, the Company issued $500.0 million aggregate principal amount of 8.50% senior unsecured notes due 2031. In addition, as at June 30, 2026, there was no draw on the Company's $240.0 million senior secured credit facility (December 31, 2025 - $33.0 million was drawn).

The following are the contractual maturities of financial liabilities at June 30, 2026:

	Less than 1 year	1-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 588,033	—	—	31,906	$ 619,939
Unsecured notes, including interest	66,913	419,414	585,000	—	1,071,327
Customer prepayments	48,889	31,111			80,000
Lease obligation	5,188	17,728	—	—	22,916
Cash settled share-based compensation payable	15,652	11,471	—	—	27,123
Total	**$ 724,675**	**479,724**	**585,000**	**31,906**	**$ 1,821,305**

The following are the contractual maturities of financial liabilities at December 31, 2025:

	Less than 1 year	1-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 212,081	—	—	7,143	$ 219,224
Bank debt including interest	—	36,181	—	—	36,181
Lease obligation	1,331	7,814	—	—	9,145
Cash settled share-based compensation payable	22,397	15,228	—	—	37,625
Total	**$ 235,809**	**59,223**	**—**	**7,143**	**$ 302,175**

c) Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to the prices received for its oil production. Crude oil is sensitive to numerous worldwide factors, many of which are beyond the Company's control. Changes in global supply and demand fundamentals in the crude oil market and geopolitical events can significantly affect crude oil prices. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company's oil production is sold under short-term contracts, exposing it to the risk of near-term price movements.

As at June 30, 2026, the Company had the no crude oil risk management contracts in place. The Company is currently unhedged for the remainder of 2026, with full exposure to changes in commodity prices.

The table below summarizes the loss (gain) on the commodity risk management contracts that were in place during the three and six months ended June 30, 2026 and 2025:

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Realized loss (gain) on commodity risk management contracts	**$ 30,711**	$ (3,337)	**$ 32,947**	$ (3,337)
Premiums paid on commodity risk management contracts	**—**	2,169	**—**	3,530
Unrealized gain on commodity risk management contracts	**(30,635)**	(362)	**(1,050)**	(1,160)
Total loss (gain)	**$ 76**	$ (1,530)	**$ 31,897**	$ (967)

d) Foreign currency risk

The Company is exposed to foreign currency risk as various portions of its cash balances are held in Canadian dollars (Cdn$) and Colombian pesos (COP$) while its committed capital expenditures are expected to be primarily denominated in US dollars.

As at June 30, 2026, the Company had the following foreign currency risk management contracts in place:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price COP	Max Compensation
March 16, 2026 to December 15, 2026	COP	Collar with limited compensation	$81,000,000	3,700-4,200	800
June 19, 2026 to December 15, 2026	COP	Costless collar	$90,000,000	3,400-3,663	N/A

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three and six months ended June 30, 2026 and 2025 which is recorded in the financial statement line item "Foreign exchange gain" in the consolidated statements of net income and comprehensive income:

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Realized gain on foreign currency risk management contracts	**$ (1,670)**	$ (1,225)	**$ (1,777)**	$ (1,225)
Unrealized gain on foreign currency risk management contracts	**(4,026)**	(4,132)	**(4,107)**	(4,132)
Total	**$ (5,696)**	$ (5,357)	**$ (5,884)**	$ (5,357)

26. Segmented Information

The Company has foreign subsidiaries and the following segmented information is provided:

For the three months ended June 30, 2026	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 466,016	$ 466,016
Royalties	—	(72,961)	(72,961)
Net revenue	—	393,055	393,055
Other revenue	—	2,909	2,909
Commodity risk management contracts loss	—	(76)	(76)
Revenue	—	395,888	395,888
Expenses			
Production	—	90,766	90,766
Transportation	—	34,019	34,019
Purchased oil	—	36,709	36,709
General and administrative	8,494	14,918	23,412
Equity settled share-based compensation expense	265	—	265
Cash settled share-based compensation expense	140	(746)	(606)
Depletion, depreciation and amortization	765	61,617	62,382
Transaction costs	26,189	2,201	28,390
Other expenses	213	8,757	8,970
Foreign exchange (gain)	(921)	(3,647)	(4,568)
Unrealized loss on marketable securities	2,433	—	2,433
Gain on acquisition	(302,483)	—	(302,483)
	(264,905)	244,594	(20,311)
Finance (income)	(1,883)	(857)	(2,740)
Finance expense	11,354	5,865	17,219
Net finance expense	9,471	5,008	14,479
Income (loss) before taxes	255,434	146,286	401,720
Current tax expense	(1,009)	17,898	16,889
Deferred tax (recovery)	18	(59,483)	(59,465)
Net income (loss)	**$ 256,425**	**$ 187,871**	**$ 444,296**
Capital assets (end of period)	$ 6,083	$ 2,849,911	$ 2,855,994
Capital expenditures	$ 220	$ 133,473	$ 133,693
Total assets (end of period)	$ 128,051	$ 4,107,479	$ 4,235,530

For the three months ended June 30, 2025	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 239,070	$ 239,070
Royalties	—	(30,913)	(30,913)
Net revenue	—	208,157	208,157
Other revenue	—	2,319	2,319
Commodity risk management contracts gain	—	1,530	1,530
Revenue	—	212,006	212,006
Expenses			
Production	—	49,492	49,492
Transportation	—	17,421	17,421
Purchased oil	—	(30)	(30)
General and administrative	8,097	8,587	16,684
Equity settled share-based compensation expense	182	—	182
Cash settled share-based compensation expense	4,751	1,543	6,294
Depletion, depreciation and amortization	709	47,240	47,949
Other expenses	—	12,453	12,453
Foreign exchange (gain) loss	1,684	(3,721)	(2,037)
	15,423	132,985	148,408
Finance (income)	(84)	(528)	(612)
Finance expense	1,725	3,749	5,474
Net finance expense	1,641	3,221	4,862
Income (loss) before taxes	(17,064)	75,800	58,736
Current tax expense (recovery)	(139)	9,384	9,245
Deferred tax expense (recovery)	(1,162)	1,540	378
Net income (loss)	**$ (15,763)**	**$ 64,876**	**$ 49,113**
Capital assets (end of period)	$ 7,633	$ 1,592,939	$ 1,600,572
Capital expenditures	$ 129	$ 88,561	$ 88,690
Total assets (end of period)	$ 44,259	$ 2,178,919	$ 2,223,178

For the six months ended June 30, 2026	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 737,393	$ 737,393
Royalties	—	(109,749)	(109,749)
Net revenue	—	627,644	627,644
Other revenue	—	4,664	4,664
Commodity risk management contracts loss	—	(31,897)	(31,897)
Revenue	—	600,411	600,411
Expenses			
Production	—	148,082	148,082
Transportation	—	54,276	54,276
Purchased oil	—	36,756	36,756
General and administrative	20,036	25,803	45,839
Equity settled share-based compensation expense	439	—	439
Cash settled share-based compensation expense	13,279	4,608	17,887
Depletion, depreciation and amortization	1,535	112,136	113,671
Transaction costs	26,799	2,201	29,000
Other expense	885	25,442	26,327
Foreign exchange loss	422	(2,903)	(2,481)
Unrealized gain on marketable securities	(10,285)	—	(10,285)
Gain on acquisition	(302,483)	—	(302,483)
	(249,373)	406,401	157,028
Finance (income)	(1,927)	(4,217)	(6,144)
Finance expense	13,826	10,158	23,984
Net finance expense	11,899	5,941	17,840
Income (loss) before taxes	237,474	188,069	425,543
Current tax expense (recovery)	(6,403)	24,363	17,960
Deferred tax expense	1,072	(42,374)	(41,302)
Net income (loss)	**$ 242,805**	**$ 206,080**	**$ 448,885**
Capital assets (end of period)	$ 6,083	$ 2,849,911	$ 2,855,994
Capital expenditures	$ 411	$ 224,325	$ 224,736
Total assets (end of period)	$ 128,051	$ 4,107,479	$ 4,235,530

For the six months ended June 30, 2025	Canada	Colombia	Total
Oil and natural gas sales	$ —	$ 504,705	$ 504,705
Royalties	—	(67,318)	(67,318)
Net revenue	—	437,387	437,387
Other revenue	—	4,831	4,831
Commodity risk management contracts gain	—	967	967
Revenue	—	443,185	443,185
Expenses			
Production	—	106,350	106,350
Transportation	—	34,239	34,239
Purchased oil	—	162	162
General and administrative	15,787	18,668	34,455
Equity settled share-based compensation expense	362	—	362
Cash settled share-based compensation expense	6,603	1,603	8,206
Depletion, depreciation and amortization	1,510	96,858	98,368
Other expense	—	13,600	13,600
Foreign exchange (gain) loss	1,667	(5,288)	(3,621)
	25,929	266,192	292,121
Finance (income)	(214)	(1,695)	(1,909)
Finance expense	2,857	7,673	10,530
Net finance expense	2,643	5,978	8,621
Income (loss) before taxes	(28,572)	171,015	142,443
Current tax expense (recovery)	(1,139)	22,271	21,132
Deferred tax (recovery) expense	100	(8,531)	(8,431)
Net income (loss)	**$ (27,533)**	**$ 157,275**	**$ 129,742**
Capital assets (end of period)	$ 7,633	$ 1,592,939	$ 1,600,572
Capital expenditures	$ 224	$ 145,520	$ 145,744
Total assets (end of period)	$ 44,259	$ 2,178,919	$ 2,223,178

For the three months ended June 30, 2026, the Company had two external customers (three months ended June 30, 2025 - three external customers), in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to these customers totaled $365.0 million for the three months ended June 30, 2026 and $227.0 million for the three months ended June 30, 2025.

For the six months ended June 30, 2026, the Company had one external customer (six months ended June 30, 2025 - two external customers), in the oil and gas industry that subject to normal industry credit risks, constituted more than 10% of commodity sales from production. Sales to these customers totaled $475.8 million for the six months ended June 30, 2026 and $409.6 million for the six months ended June 30, 2025.

27. Commitments and Contingencies

The value of the Company's commitments as at June 30, 2026 for contracts that were in place.

	2026	2027	2028	2029	2030	Thereafter	Total
Exploration and Evaluation							
Minimum work commitments	$ 40,655	$ 143,911	$ 104,155	$ 11,689	$ —	$ 405,504	$ 705,914
Transportation	13,884	2,554	—	—	—	—	16,438
Operating leases	1,228	2,271	623	—	—	—	4,122
Other commitments							
Purchased oil	58,325	—	—	—	—	—	58,325
Energy supply commitments	16,630	12,537	13,109	8,249	8,495	8,741	67,761
Total	**$ 130,722**	**$ 161,273**	**$ 117,887**	**$ 19,938**	**$ 8,495**	**$ 414,245**	**$ 852,560**

Exploration and evaluation minimum work commitments
At June 30, 2026, performance guarantees to support the exploration work commitments on the Company's Colombian concessions were in place with the ANH and Ecopetrol joint venture blocks in the amount of $504.1 million (December 31, 2025 - $235.1 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The value of the Company's exploration commitments as at June 30, 2026 in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements, is as disclosed above.

Transportation
Includes ship-or-pay contracts with Bicentenario and Cenit where the pledged inventory crude oil is stored in Cenit's terminal of Coveñas (TLU-3) instead of Ocensa's terminal. A pledge agreement with Ocensa and Cenit is in place, which guarantees the payment obligations of both contracts.

Operating leases
In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations. The existing minimum lease payments for office space and accommodations at June 30, 2026 are as disclosed above.

Purchased oil
Includes an agreement in place covering crude oil purchases for 2026.

Energy supply
Includes executed contracts for grid-connected, on-site generation, and solar power sources, ensuring the electricity supply across operational blocks, particularly Quifa and CPE-6.

Contingencies
The Company is involved in various legal, regulatory and administrative claims, and proceedings arising from the normal course of business. Given that the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. Management has assessed the likelihood of settlement and determined the best estimate based on relevant information and the probability of outcomes. Significant judgement was applied in estimating the range of possible outcomes given the uncertainty involved.

Refer to Note 8 - Business Combinations regarding the contingent payment agreed to as part of the consideration of the Frontera Transaction.

28. Subsequent Events

Ecopetrol Strategic Partnership
Previously, on May 4, 2026, the Company announced that it had executed an agreement with its strategic partner Ecopetrol S.A., whereby the Company will earn a 50% participating share in the Casabe and Llanito blocks in the Magdalena Basin of Colombia, upon spudding the first well on each block. The agreement closed as of July 29, 2026, and all regulatory approvals received.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Parex Resources Inc. ("Parex" or the "Company") for the period ended June 30, 2026 is dated July 30, 2026 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended June 30, 2026, as well as the Company's audited consolidated annual financial statements for the year ended December 31, 2025. The unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Additional information related to Parex is included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated March 3, 2026 ("AIF"), and may be accessed through the SEDAR+ website at www.sedarplus.ca.

All financial amounts are in United States dollars ("USD") unless otherwise stated.

Company Profile

Parex is the largest independent oil and gas company in Colombia, focusing on sustainable, conventional production. The Company's corporate headquarters are in Calgary, Canada, with an operating office in Bogotá, Colombia. Parex's shares trade on the Toronto Stock Exchange under the symbol PXT.

Abbreviations

Refer to the final page of the MD&A for commonly used abbreviations in the document. Refer to the Advisory on Forward-Looking Statements and Non-GAAP and Other Financial Measures Advisory.

References to crude oil or natural gas production in this MD&A refer to the light crude oil and medium crude oil and heavy crude oil and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.

Three months ended June 30, 2026 ("second quarter" or "Q2") Highlights

- On June 1, 2026, the Company successfully closed its previously announced acquisition of all the Colombian exploration and production assets of Frontera Energy Corporation, becoming Colombia's largest independent oil and gas producer. The cash consideration was funded through the issuance of $500 million aggregate principal amount of 8.5% senior unsecured notes due 2031.
- Crude oil and natural gas production averaged 54,121 boe/d. Average production in the second quarter of 2026 increased 27% compared to the second quarter of 2025 average production of 42,542 boe/d, primarily driven by the closing of the Frontera Transaction on June 1, 2026. Refer to "Consolidated Results of Operations" for production split by product type.
- Recognized net income of $444.3 million ($4.62 per share basic) compared to net income of $49.1 million ($0.50 per share basic) in the second quarter of 2025. The increase was primarily attributed to the gain on acquisition, increased revenue resulting from higher volumes and crude oil prices, and a deferred tax recovery, partially offset by realized losses on commodity risk management contracts, one-time costs and higher current income tax.
- Generated quarterly adjusted funds flow provided by operations ("FFO")[(1)] of $191.2 million ($1.99 per share basic[(2)]) compared to $103.7 million ($1.06 per share basic[(2)]) in the second quarter of 2025. The increase is primarily attributed to the increase in realized price and volumes. Q2 2026 adjusted FFO[(1)] incorporates one-time costs of approximately $59.1 million comprised of: $28.4 million of nonrecurring transaction-related costs and $30.7 million of realized losses on hedging contracts.
- Generated an operating netback[(2)] of $45.14/boe (Q2 2025 - $36.25/boe) and an adjusted FFO netback[(2)] of $37.26/boe (Q2 2025 - $26.60/boe[(2)]) from an average Brent price of $96.68/bbl (Q2 2025 - $66.71/bbl).
- Incurred $133.7 million of capital expenditures[(3)] compared to $88.7 million in the second quarter of 2025. The increase is primarily related to activities at LLA-111, LLA-34, VIM-1, and Capachos.
- Paid a regular quarterly dividend of C$0.385 per share[(4)].
- Repaid $175.2 million of bank debt with the available capacity under the credit facility undrawn.

(1) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(4) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Corporate Guidance

The Company has reaffirmed its second half ("H2") of 2026 and full-year ("FY") 2026 guidance released on May 12, 2026, reflecting continued confidence in its operational outlook following the Frontera Transaction and the expected timing of production from the Magdalena assets.

Category	**H2 2026 Guidance** *(May 12, 2026)*[1]
Brent Crude Oil Average Price	$90/bbl
Average Production	82,000-91,000 boe/d
Funds Flow Provided by Operations Netback[2]	$30-33/boe
Funds Flow Provided by Operations[3]	$475-525 million
Capital Expenditures[4]	$275-295 million
Free Funds Flow[4]	$215 million (midpoint)

(1) H2 2026 assumptions: operational downtime: ~5%; Vasconia differential: ~$4.00/bbl; production expense: $16.00-20.00/bbl; transportation expense: ~$7.50/bbl; G&A expense: ~$5.00/bbl; finance expense: ~$2.50/bbl, effective tax rate: 12-15%; see "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(4) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

For FY 2026, after accounting for the Frontera Transaction and the addition of the new producing assets in the Magdalena Basin, average production is expected to be 63,000 to 67,000 boe/d, with capital expenditures of $495 to $515 million.

The Company continues to monitor market conditions that may influence operating costs and realized pricing. Currently, elevated energy costs, driven in part by El Niño-related weather impacts and broader market conditions, together with adverse foreign exchange movements resulting from Colombian peso appreciation, are contributing to production expenses trending to the upper end of guidance. Vasconia differentials also remain elevated, reflecting current market dynamics

Refer to "Business Combination" for details on the Frontera Transaction and "Subsequent Events" for the addition of the new producing assets in the Magdalena Basin.

Financial Summary

	For the three months ended June 30,		For the six months ended June 30,	
(Financial figures in $'000s except per share amounts)	**2026**	2025	**2026**	2025
Light Crude Oil and Medium Crude Oil (bbl/d)	**14,515**	10,182	**14,126**	10,229
Heavy Crude Oil (bbl/d)	**37,130**	31,047	**33,222**	31,623
Natural gas liquids (boe/d)	**765**	316	**508**	345
Average oil production (bbl/d)[1]	**52,410**	41,545	**47,856**	42,197
Average conventional natural gas production (mcf/d)[1]	**10,266**	5,982	**9,594**	5,400
Average oil and natural gas production (boe/d)	**54,121**	42,542	**49,455**	43,097
Production split (% crude oil)	**97**	98	**97**	98
Oil and natural gas sales price ($/boe)[6]	**90.84**	61.35	**80.67**	64.35
Operating netback ($/boe) [1]	**45.14**	36.25	**42.50**	37.84
Funds flow provided by operations netback ($/boe)[1]	**25.74**	26.90	**26.88**	28.91
Adjusted funds flow provided by operations netback ($/boe)[1]	**37.26**	26.60	**33.66**	28.94
Oil and natural gas sales	**466,016**	239,070	**737,393**	504,705
Funds flow provided by operations[7]	**132,054**	104,821	**245,756**	226,765
Per share – basic[1][3]	**1.37**	1.08	**2.56**	2.32
Per share – diluted [1][3]	**1.37**	1.08	**2.55**	2.32
Adjusted Funds flow provided by operations[7]	**191,155**	103,653	**307,703**	226,958
Per share – basic[1][3]	**1.99**	1.06	**3.20**	2.32
Per share – diluted [1][3]	**1.98**	1.06	**3.20**	2.32
Net income	**444,296**	49,113	**448,885**	129,742
Per share – basic[3]	**4.62**	0.50	**4.67**	1.33
Per share – diluted[3]	**4.61**	0.50	**4.66**	1.33
Dividends paid	**26,483**	27,561	**53,420**	53,926
Per share - Cdn$[3][6]	**0.385**	0.385	**0.770**	0.770
Share repurchases	**—**	6,025	**—**	11,264
Number of shares repurchased (000s)	**—**	630	**—**	1,155
Capital expenditures[2]	**133,693**	88,690	**224,736**	145,744
Free funds flow[2]	**(1,639)**	16,131	**21,020**	81,021
EBITDA[2]	**487,551**	124,000	**583,381**	263,032
Adjusted EBITDA[2]	**192,063**	127,745	**324,747**	263,152
Total assets (end of period)	**4,235,530**	2,223,178	**4,235,530**	2,223,178
Net debt (net cash)[7]	**906,598**	(2,048)	**906,598**	(2,048)
Weighted average shares outstanding (000s)				
Basic	**96,179**	97,501	**96,086**	97,806
Diluted	**96,440**	97,501	**96,305**	97,806
Outstanding shares (end of period) (000s)	**96,180**	97,184	**96,180**	97,184

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(4) Working capital calculation does not take into consideration the undrawn amount available under the syndicated bank credit facility.
(5) Syndicated bank credit facility borrowing base of $240.0 million as at June 30, 2026 and June 30, 2025.
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(7) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".

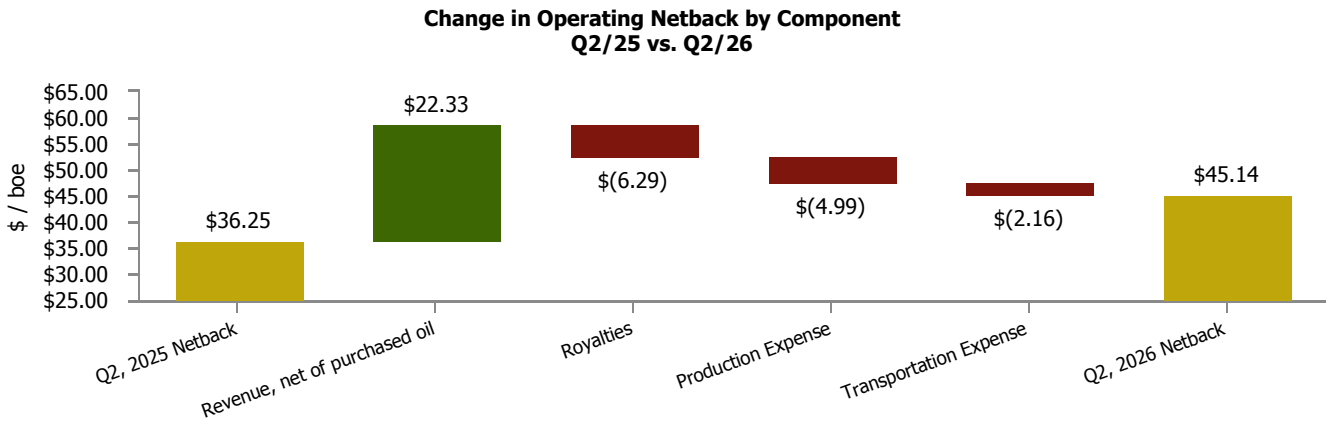
Financial and Operational Results

Consolidated Results of Operations

Parex's oil and gas operations are conducted in Colombia with head office functions conducted in Canada.

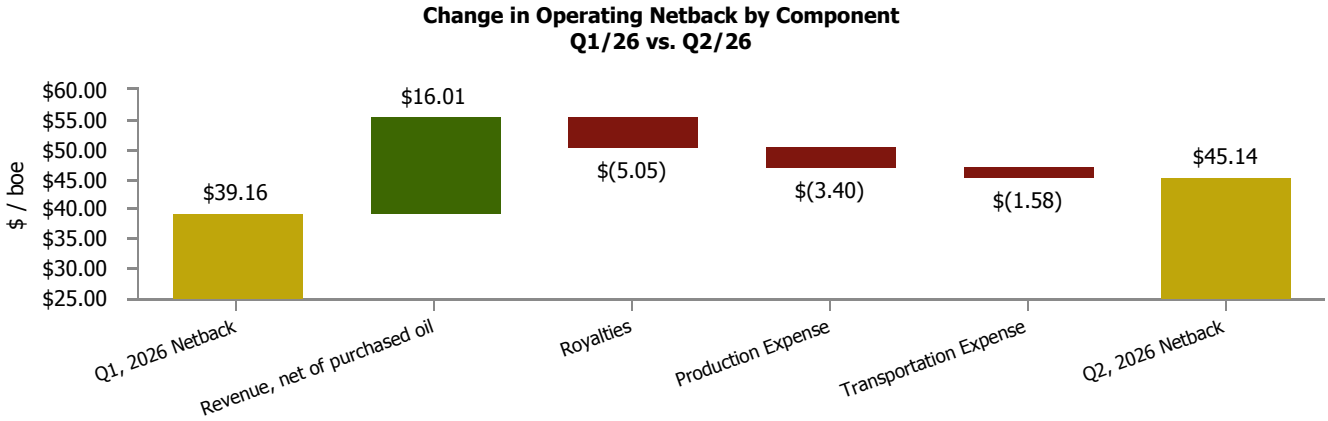
	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**14,515**	10,182	**14,126**	10,229
Heavy Crude Oil (bbl/d)	**37,130**	31,047	**33,222**	31,623
Natural gas liquids (boe/d)	**765**	316	**508**	345
Crude Oil (bbl/d)	**52,410**	41,545	**47,856**	42,197
Conventional Natural Gas (mcf/d)	**10,266**	5,982	**9,594**	5,400
Total (boe/d)	**54,121**	42,542	**49,455**	43,097
Production split (% crude oil production)	**97**	98	**97**	98
Average daily sales of oil and natural gas				
Produced crude oil, before consumption (bbl/d)	**54,666**	41,828	**48,904**	42,435
Produced natural gas (mcf/d)	**10,266**	5,982	**9,594**	5,400
Produced crude oil and natural gas, before consumption (bbl/d)	**56,377**	42,825	**50,503**	43,335
Consumption for fuel	**(937)**	—	**(471)**	—
Produced oil and natural gas, after consumption	**55,440**	42,825	**50,032**	43,335
Purchased crude oil (bbl/d)	**3,191**	—	**1,604**	7
Total (boe/d)	**58,631**	42,825	**51,636**	43,342
Operating netback ($000s)				
Oil and natural gas sales	**$ 466,016**	$ 239,070	**$ 737,393**	$ 504,705
Purchased crude oil[4]	**(36,709)**	30	**(36,756)**	(162)
Oil and natural gas sales, net of purchased crude oil[2][4]	**429,307**	239,100	**700,637**	504,543
Royalties	**(72,961)**	(30,913)	**(109,749)**	(67,318)
Net revenue	**356,346**	208,187	**590,888**	437,225
Production expense	**(90,766)**	(49,492)	**(148,082)**	(106,350)
Transportation expense	**(34,019)**	(17,421)	**(54,276)**	(34,239)
Operating netback[1]	**$ 231,561**	$ 141,274	**$ 388,530**	$ 296,636
Operating netback (per boe)				
Brent ($/bbl)	**$ 96.68**	$ 66.71	**$ 87.60**	$ 70.81
Parex price differential	**(5.84)**	(5.36)	**(6.93)**	(6.46)
Oil and natural gas sales[2]	**90.84**	61.35	**80.67**	64.35
Purchased crude oil[2][4]	**(7.16)**	—	**(4.02)**	(0.01)
Oil and natural gas sales, net of purchased crude oil[2][4]	**83.68**	61.35	**76.65**	64.34
Royalties[2]	**(14.22)**	(7.93)	**(12.01)**	(8.58)
Net revenue[2]	**69.46**	53.42	**64.64**	55.76
Production expense[2]	**(17.69)**	(12.70)	**(16.20)**	(13.56)
Transportation expense[2]	**(6.63)**	(4.47)	**(5.94)**	(4.36)
Operating netback[3]	**$ 45.14**	$ 36.25	**$ 42.50**	$ 37.84

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(4) Purchased crude oil cost includes ~$9.4 million of non-cash inventory fair value adjustment as a result of the purchase price allocation, equivalent to $1.83/boe and $1.02/boe for the three months and six months ended June 30, 2026, respectively.



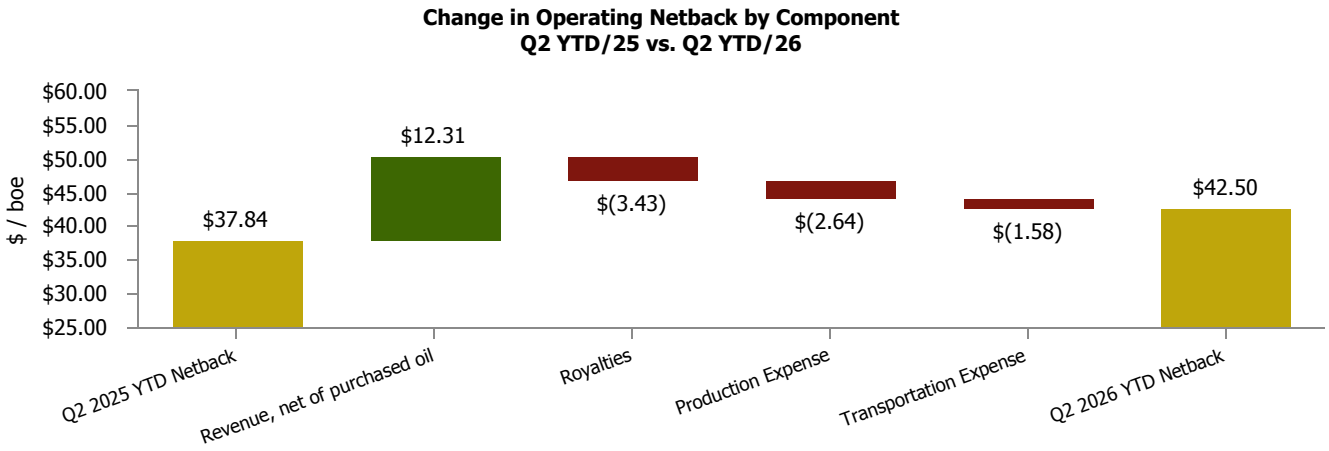
Overall, the Company's benchmark Brent crude oil price increased by $29.97/bbl, while revenue increased by $22.33/boe in the second quarter of 2026 as compared to the second quarter of 2025. The decrease in revenue relative to the Brent crude benchmark increase was primarily attributable to increased purchased crude oil for blending associated with newly acquired heavy oil volumes. Royalties increased by $6.29/boe in the quarter compared to the second quarter of 2025 primarily associated with the increase in sales price. Production expense in the quarter increased by $4.99/boe compared to the second quarter of 2025, including the impact of the of the Frontera Transaction, which contributed approximately $1.88/boe to the increase. The increase primarily reflected higher fuel-powered field operating costs due to higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. These factors were partially offset by reduced well workovers and facility maintenance costs. Transportation expense in the quarter increased by $2.16/boe compared to the second quarter of 2025 primarily due to an increase in the volume of oil production transported by truck and higher gas volumes transported.

Overall, the operating netback increased by $8.89/boe compared to a Brent benchmark crude price increase of $29.97/bbl.



In the second quarter of 2026, the Company's benchmark Brent crude oil price increased by $18.30/bbl, while revenue increased by $16.01/boe as compared to the first quarter of 2026. The decrease in revenue relative to the Brent crude benchmark increase was primarily attributable to increased purchased oil for blending associated with newly acquired heavy oil volumes, partially offset by lower location and quality differentials and decreased wellhead sales. Royalties increased by $5.05/boe primarily associated with the increase in sales price. Production expense increased by $3.40/boe, including the impact of the of the Frontera Transaction, which contributed approximately $1.88/boe to the increase. The quarter-over-quarter increase primarily reflected higher fuel-powered field operating costs driven by higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. Transportation expense in the quarter increased by $1.58/boe compared to the first quarter of 2026 primarily due to an increase in the volume of oil production transported by truck and higher gas volumes transported.

Overall, the operating netback increased by $5.98/boe compared to a Brent benchmark crude price increase of $18.30/bbl.



Year to date 2026, the Company's benchmark Brent crude oil price increased by $16.79/bbl, while revenue increased by $12.31/boe as compared to the comparative 2025 period. The decrease in revenue relative to the Brent crude benchmark increase was primarily attributable to increased purchased oil for blending associated with newly acquired heavy oil volumes and increased location and quality differential, partially offset by decreased wellhead sales. Royalties increased by $3.43/boe primarily associated to the increase in sales price. Production expense increased by $2.64/boe, including the impact of the of the Frontera Transaction, which contributed approximately $1.18/boe to the increase. The increase primarily reflected higher fuel-powered field operating costs due to higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. These factors were partially offset by reduced well workovers and facility maintenance costs. Transportation expense in the quarter increased by $1.58/boe compared to the comparative 2025 period primarily due to an increase in the volume of oil production transported by truck and higher gas volumes transported.

Overall, the operating netback increased by $4.66/boe compared to a Brent benchmark crude price increase of $16.79/bbl.

Oil and Natural Gas Sales and Other Revenue

a) Average Daily Production and Sales Volumes (boe/d)

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Llanos	**30,568**	18,691	**26,474**	18,911
LLA-34	**19,183**	21,514	**19,206**	21,860
Magdalena	**3,605**	2,337	**3,104**	2,326
Putumayo	**765**	—	**671**	—
Total Crude oil and natural gas production	**54,121**	42,542	**49,455**	43,097
Crude oil inventory draw (build)	**2,256**	283	**1,048**	238
Average daily sales of produced oil and natural gas, before consumption	**56,377**	42,825	**50,503**	43,335
Consumption for fuel	**(937)**	—	**(471)**	—
Average daily sales of produced oil and natural gas, after consumption	**55,440**	42,825	**50,032**	43,335
Purchased oil	**3,191**	—	**1,604**	7
Sales Volumes	**58,631**	42,825	**51,636**	43,342

On June 1, 2026, the Company successfully closed its previously announced acquisition of Frontera Energy Corporation's Colombian exploration and production assets. The Company's production profile has experienced a step-change following the recently announced transactions, with additional growth opportunities expected as the expanded portfolio is further integrated and developed.

For the period of July 1, 2026, to July 29, 2026, estimated average production was 83,500 boe/d[(1)], demonstrating positive operational momentum.

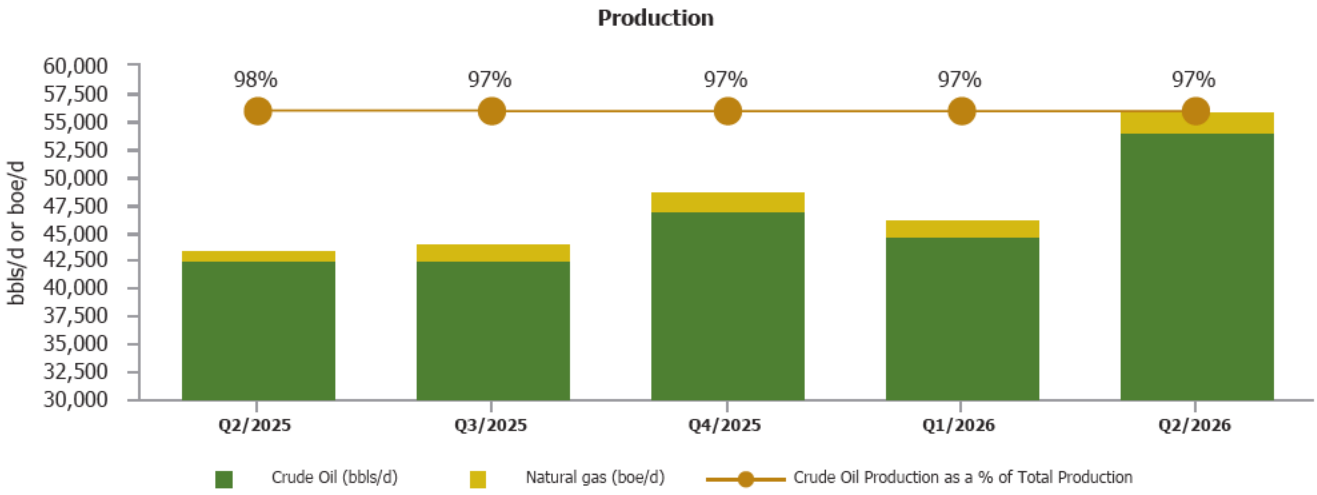
Crude oil and natural gas production for the second quarter of 2026 averaged 54,121 boe/d after reflecting the closing of the Frontera Transaction on June 1, 2026 and new production from exploration success on Block LLA-111. This is an increase of approximately 27% from the second quarter of 2025 production of 42,542 boe/d and an increase of approximately 21% compared to the first quarter of 2026 production of 44,735 boe/d. Refer to "Summary of Quarterly Results" for production split by product type.

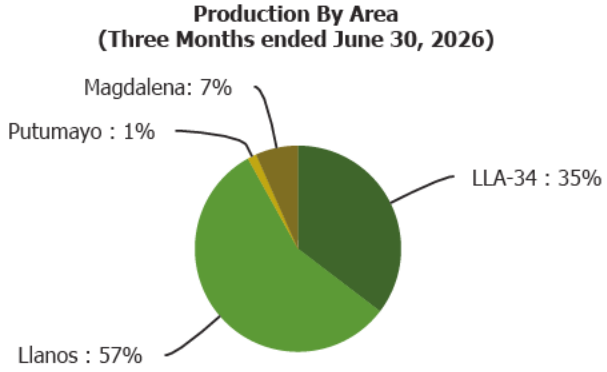
The increase in oil and natural gas production in the second quarter of 2026 compared to the second quarter of 2025 is mainly the result of production added from the closing of the Frontera Transaction on June 1, 2026, newly added production from Block LLA-74, LLA-111 and LLA-32 in the Llanos Basin and an increase in gas production at VIM-1 in the Magdalena Basin. This was partially offset by decreased oil production from Block LLA-34 and the Cabrestero Block in the Southern Llanos Basin, mainly as a result of natural declines and weather-related downtime.

The increase in crude oil and natural gas production in the second quarter of 2026 compared to the first quarter of 2026 was mainly attributed to production added from the closing of the Frontera Transaction on June 1, 2026 and newly added production from Block LLA-111.

Oil and natural gas sales in the second quarter of 2026 were 58,631 boe/d compared to 42,825 boe/d for the second quarter of 2025, with the step change primarily driven by the closing of the Frontera Transaction on June 1, 2026 and new production from Block LLA-74, LLA-111 and LLA-32 in the Llanos Basin and an increase in gas production at VIM-1 in the Magdalena Basin. This was partially offset by decreased oil production from Block LLA-34 and the Cabrestero Block in the Southern Llanos Basin, mainly as a result of natural declines and weather-related downtime.

(1) Estimated average production; light & medium crude oil: ~22,071 bbl/d, heavy crude oil: ~58,409 bbl/d, conventional natural gas: ~16,424 mcf/d, natural gas liquids: 333 boe/d; rounded for presentation purposes.





b) Crude Oil Reference and Realized Prices

Average price for the period	**Q2 2026**	Q1 2026	Q4 2025	Q3 2025	Q2 2025
Brent ($/bbl)	**96.68**	78.38	63.08	68.17	66.71
Parex location and quality differential ($/bbl)	**(2.88)**	(5.52)	(3.03)	(1.94)	(1.87)
Parex wellhead sales discount ($/bbl)	**(2.32)**	(5.16)	(3.35)	(3.91)	(3.77)
Parex realized oil sales price ($/bbl)[2]	**91.48**	67.70	56.70	62.32	61.07
Parex realized price (differential) to Brent $/bbl)	**(5.20)**	(10.68)	(6.38)	(5.85)	(5.64)
Parex transportation expense ($/bbl)[1][2]	**(6.40)**	(5.10)	(5.47)	(4.88)	(4.58)
Parex price differential and transportation expense ($/bbl)[2]	**(11.60)**	(15.78)	(11.85)	(10.73)	(10.22)

(1) Applies only to direct export cargo sales where Parex incurs the pipeline fees directly. See "Transportation Expense".
(2) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the second quarter of 2026, benchmark Brent oil reference price increased by $18.30/bbl compared to the first quarter of 2026. The increase occurred amid continued geopolitical developments, including the continued outbreak of war in the Middle East, which disrupted regional crude oil production and transportation and heightened concerns regarding global crude oil supply. Crude oil prices were highly volatile in the latter part of the first quarter of 2026 and majority of the second quarter of 2026 as market participants reassessed expectations regarding the magnitude and duration of the supply disruption. Prices began to decline towards the latter part of June 2026.

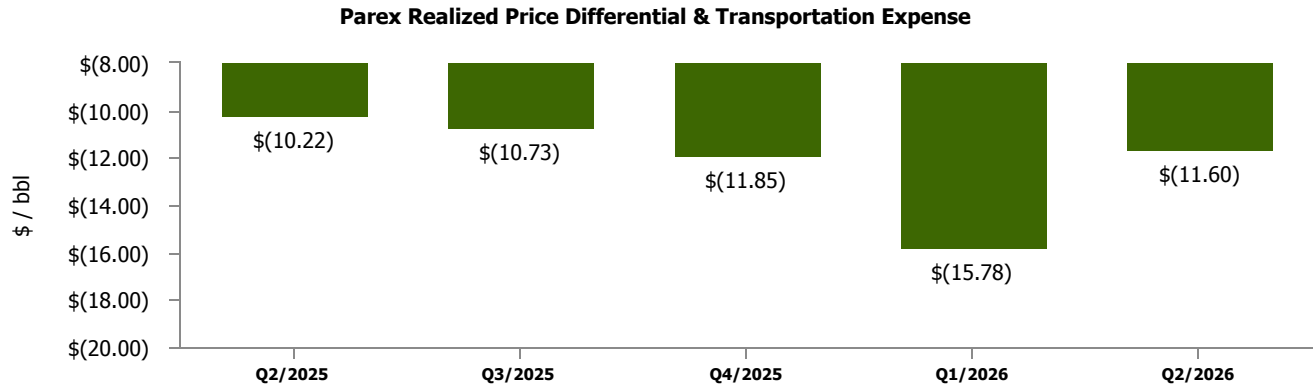
During the second quarter of 2026 the differential between Brent reference pricing and the Company's realized oil sale price was $5.20/bbl. The differential to Brent crude during the second quarter of 2026 decreased by $5.48/bbl compared to the first quarter of 2026 where the differential was $10.68/bbl primarily due to narrower location and quality differentials. This improvement reflected the easing of macroeconomic volatility and expectations of incremental heavy oil supply that had widened differentials during the first quarter of 2026, as well as a reduction in wellhead sales in favour of higher-priced direct export sales. Compared to the second quarter of 2025 Parex's realized oil price differential decreased from $5.64/bbl to $5.20/bbl, which was primarily driven by reduced wellhead sales in favour of direct export sales, partially offset by increased location and quality differentials on heavy oil associated with newly acquired volumes.

Differences between Parex's realized price and Brent crude price are primarily related to location and quality adjustments, wellhead sale marketing contracts, and the timing of oil sales compared to quarter averages. The location and quality differential between Brent crude pricing also affects Parex's realized sales price and is set in liquid global markets and therefore attributed to factors that are beyond the Company's control making it inherently difficult to forecast.

Parex's realized price differential to Brent crude can fluctuate period over period due to, among other factors, the type of sales contracts and the accounting treatment for oil sold at the wellhead versus direct export sales contracts.

The second quarter 2026 location and quality differential of $2.88/bbl increased compared to the second quarter of 2025 of $1.87/bbl. These differentials continue to reflect current global commodity market dynamics, including heavy oil supply and demand fundamentals as well as overall market conditions.

The Vasconia differential to Brent can fluctuate with oil market conditions and for the month of July 2026 was approximately $7.00/bbl.



c) Natural Gas Sales and Realized Prices

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Natural gas sales ($000's)	**$ 10,940**	$ 6,605	**$ 19,863**	$ 12,363
Realized sales price ($/Mcf)[(1)]	**11.71**	12.13	**11.44**	12.65

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Parex's natural gas sales were $10.9 million and $19.9 million for the three and six months ended June 30, 2026 compared to $6.6 million and $12.4 million in the comparative periods of 2025. The increase in natural gas sales from the comparative periods of 2025 is primarily related to increased volumes sold from the Capachos and VIM-1 Blocks and the closing of the Frontera Transaction on June 1, 2026, partially offset by a decrease in realized gas sales price.

d) Oil and Natural Gas Sales

Second quarter 2026 oil and natural gas sales increased by $226.9 million or 95% as reconciled in the table below to the second quarter of 2025:

($000s)		
Oil and natural gas sales, three months ended June 30, 2025	**$**	**239,070**
Sales volume of produced oil, an increase of 28% (11,901 bopd)		**66,138**
Sales volume of purchased oil, an increase of 100% (3,191 bopd)		**17,734**
Oil sales price increase		**138,739**
Sales volume and price change of produced natural gas		**4,335**
Oil and natural gas sales, three months ended June 30, 2026	**$**	**466,016**

Oil and natural gas sales increased in the three months ended June 30, 2026 compared to the same period in 2025 mainly due to the increase in world oil prices in addition to higher sales volumes as result of production added from the closing of the Frontera Transaction on June 1, 2026 and newly added production from Block LLA-74, LLA-111 and LLA-32 in the Llanos Basin.

e) Crude Oil Inventory

As at June 30, ($000s)		**2026**		2025
Crude oil in transit	**$**	**26,220**	$	209

At June 30, 2026, the Company had 488.7 mbbls of crude oil inventory compared to 5.5 mbbls at June 30, 2025, which was injected into Colombian pipelines and stored in tanks. The inventory was valued based on direct and indirect expenditures (including production costs, certain transportation costs, depletion expense and royalty expense) at $53.65/bbl at June 30, 2026 compared to $38.00/bbl at June 30, 2025 incurred in bringing the crude oil to its existing condition and location.

A reconciliation of quarter to quarter crude oil inventory movements is provided below:

For the periods ended (mbbls)	**Jun. 30, 2026**	Mar. 31, 2026	Dec. 31, 2025	Sep. 30, 2025
Crude oil inventory - beginning of the period	**132.5**	116.9	4.9	5.5
Crude oil inventory - acquired on acquisition	**706.3**	—	—	—
Oil production	**4,769.3**	3,892.4	4,333.4	3,914.7
Oil sales	**(5,265.0)**	(3,876.8)	(4,221.4)	(3,915.3)
Consumption for fuel	**(85.3)**	—	—	—
Purchased oil	**230.9**	—	—	—
Crude oil - end of the period	**488.7**	132.5	116.9	4.9
% of period production	**10.2**	3.4	2.7	0.1

Crude oil inventory build and (draw) from period to period are subject to factors that the Company does not control such as timing of the number of shipments from storage to export.

f) Purchased Oil

	For the three months ended June 30,			For the six months ended June 30,		
		2026	2025		**2026**	2025
Purchased oil expense ($000s)	**$**	**36,709**	$ (30)	**$**	**36,756**	$ 162

Purchased oil expense has increased for the three and six months ended June 30, 2026 compared to the same periods in 2025 primarily due to higher oil blending activity associated with the Frontera acquired assets.

g) Other Revenue

The Company's other revenue includes pipeline transportation revenue and revenue related to energy generation and use of infrastructure.

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Other revenue	**$ 2,909**	$ 2,319	**$ 4,664**	$ 4,831

Royalties

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Base royalties[1]	**$ 43,179**	$ 19,082	**$ 64,484**	$ 40,629
Economic rights[2]	**29,782**	11,831	**45,265**	26,689
Royalties ($000s)	**$ 72,961**	$ 30,913	**$ 109,749**	$ 67,318
Per unit ($/boe)[3]	**14.22**	7.93	**12.01**	8.58
Percentage of sales[3]	**17**	13	**15**	13

(1) Base royalties are sliding scale royalties based on field production and payable to the Colombian National Hydrocarbon Agency ("ANH"). Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.
(2) Economic rights include high price share royalties applicable to production in excess of 5 million barrels of oil and X-Factor royalties are an additional royalty applicable to heavy oil production, both payable to ANH. Refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca.
(3) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

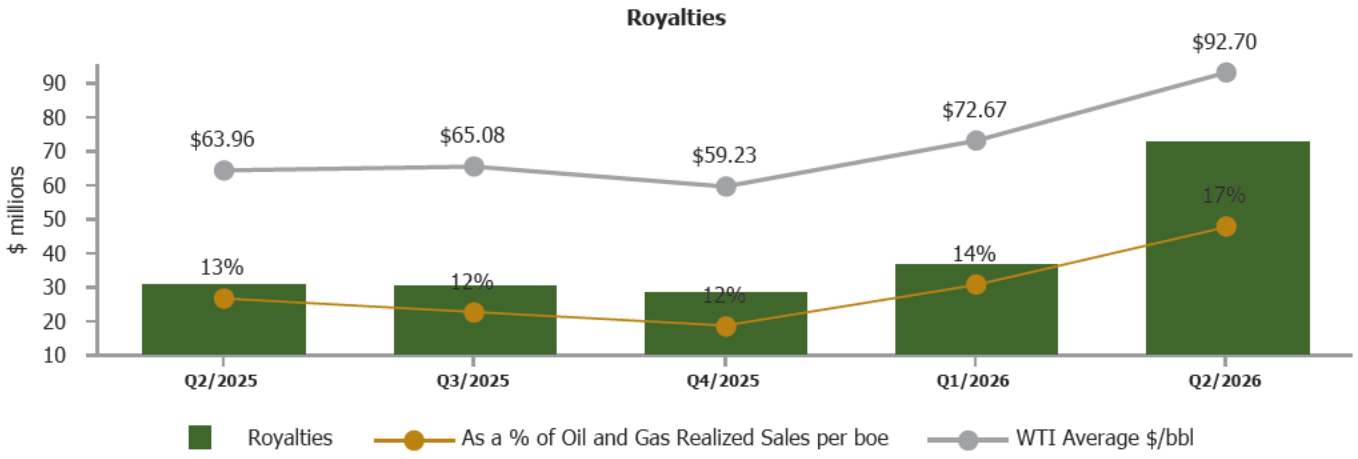
Royalty expense was $73.0 million and $109.7 million for the three and six months ended June 30, 2026 compared to $30.9 million and $67.3 million for the 2025 comparative period.

Royalties as a percentage of sales were 17% and 15% for the three and six months ended June 30, 2026 compared to 13% for the 2025 comparative periods.

The increase in royalty expense was primarily attributable to the increase in world oil prices in 2026 and base production, partially offset by lower production in areas where high price share royalties are applicable.

Benchmark WTI prices are used in the high price share royalty ("HPR") calculation. Effectively, higher realized WTI oil prices result in a higher royalty percentage realized. Benchmark WTI prices for the three and six months ended June 30, 2026 were $92.70 and $82.77 compared to $63.96 and $67.73 for the 2025 comparative period and $72.67 in the first quarter of 2026.

For further information concerning the HPR please refer to the Company's AIF, which may be accessed through the SEDAR+ website at www.sedarplus.ca where the calculation is described as a "High Price Share Royalty" in the "Industry Conditions - Colombia - High Price Participation" section.



Production Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Production expense ($000s)	**$ 90,766**	$ 49,492	**$ 148,082**	$ 106,350
Per unit ($/boe)[1]	**17.69**	12.70	**16.20**	13.56

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Production expense for the three and six months ended June 30, 2026 was $17.69/boe and $16.20/boe compared to $12.70/boe and $13.56/boe for the three and six months ended June 30, 2025. Production expense for the first quarter of 2026 was $14.29/boe.

The table below provides a reconciliation of the variance in production expense per boe by its main components:

	Q2 2026 vs Q1 2026	**Q2 2026 vs Q2 2025**	**YTD 2026 vs YTD 2025**
Comparative period production expense per boe[1]	**$ 14.29**	**$ 12.70**	**$ 13.56**
Power generation	**1.22**	**2.30**	**0.81**
Well workovers and facility maintenance	**0.04**	**(1.13)**	**(0.35)**
Colombian pesos ("COP") appreciation	**0.23**	**1.38**	**1.50**
Fixed costs absorption	**2.30**	**2.12**	**0.32**
Other variable costs	**(0.39)**	**0.32**	**0.36**
Current period production expense per boe[1]	**$ 17.69**	**$ 17.69**	**$ 16.20**

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

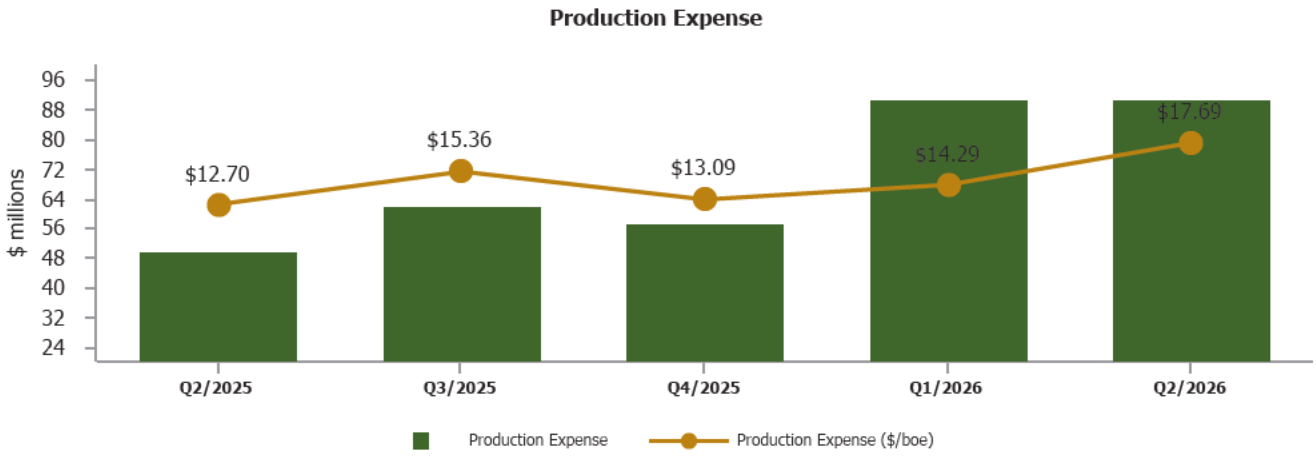
Production expense per boe increased for the three months ended June 30, 2026 compared with the same period in 2025, including the impact of the of the Frontera Transaction, which contributed approximately $1.88/boe. The increase primarily reflected higher fuel-powered field operating costs due to higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. These factors were partially offset by reduced well workovers and facility maintenance costs.

Production expense per boe increased for the six months ended June 30, 2026 compared with the same period in 2025, including the impact of the of the Frontera Transaction, which contributed approximately $1.18/boe. The increase primarily reflected higher fuel-powered field operating costs due to higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP. These factors were partially offset by reduced well workovers and facility maintenance costs.

Production expense per boe increased in the second quarter of 2026 compared with the first quarter of 2026, including the impact of the of the Frontera Transaction. The quarter-over-quarter increase primarily reflected higher fuel-powered field operating costs driven by higher crude oil prices, increased electrical power costs, higher fixed cost absorption and the appreciation of the COP.

Field operations in Colombia are substantially electrically powered, although a portion is also fuel powered. Colombia's electricity grid is heavily reliant on hydroelectric power which exposes the Company to fluctuations in power prices due to changes in rainfall and water reservoir levels, as well as electricity supply and demand. Elevated energy costs, influenced in part by El Niño-related weather impacts and broader market conditions, are contributing to higher operating cost expectations. Fuel power costs have increased consistent with the increase experienced in world oil prices.

The Company continues to monitor market conditions that may influence operating costs and realized pricing. Assuming current conditions persist, the Company expects production expense to trend toward the upper end of the guidance range of $16-20/boe for H2 2026, after accounting for the Frontera Transaction, and the addition of the new producing assets in the Magdalena Basin.



Transportation Expense

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
Transportation expense ($000s)	**$ 34,019**	$ 17,421	**$ 54,276**	$ 34,239
Per unit ($/boe)[(1)]	**6.63**	4.47	**5.94**	4.36

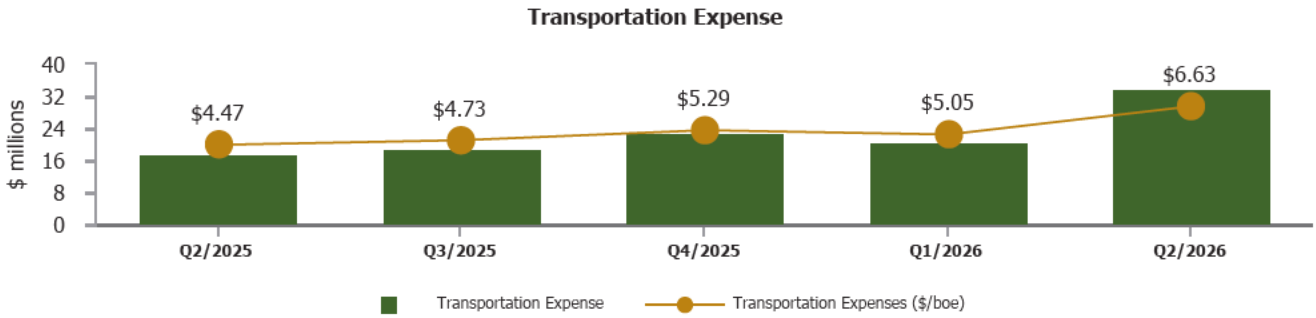
(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Transportation expense includes trucking costs incurred to transport production to several offloading stations for sale and in some instances an oil transportation tariff from delivery point to the buyer's facility and pipeline tariffs.

For the three and six months ended June 30, 2026 the cost of transportation on a per boe basis was $6.63/boe and $5.94/boe compared to $4.47/boe and $4.36/boe for the three and six months ended June 30, 2025. Transportation expense increased due to an increase in oil volumes transported by truck, higher gas volumes transported from increased gas production at the VIM-1 Block, and the appreciation of the COP. The higher trucked oil volumes are associated with production added from the closing of the Frontera Transaction on June 1, 2026, and additional production from Azogue on Block LLA-32 and new production from Blocks LLA-74 and LLA-111. Transportation expense will fluctuate period over period due the mix of sales contracts types in force during the period.

The Company expects transportation expense guidance to be approximately $7.50/bbl for H2 2026, after accounting for the Frontera Transaction, and the addition of the new producing assets in the Magdalena Basin.

The combined transportation expense and price differential from Brent, on a per boe basis, has increased from the second quarter of 2025 and decreased from the first quarter of 2026. See "Crude Oil Reference and Realized Prices".



General and Administrative Expense ("G&A")

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Gross G&A	**$ 27,512**	$ 20,137	**$ 54,742**	$ 41,723
G&A recoveries	**(1,693)**	(1,140)	**(4,113)**	(2,476)
Capitalized G&A	**(2,407)**	(2,313)	**(4,790)**	(4,792)
Total net G&A	**$ 23,412**	$ 16,684	**$ 45,839**	$ 34,455
Per unit ($/boe) [(1)]	**4.75**	4.31	**5.12**	4.42

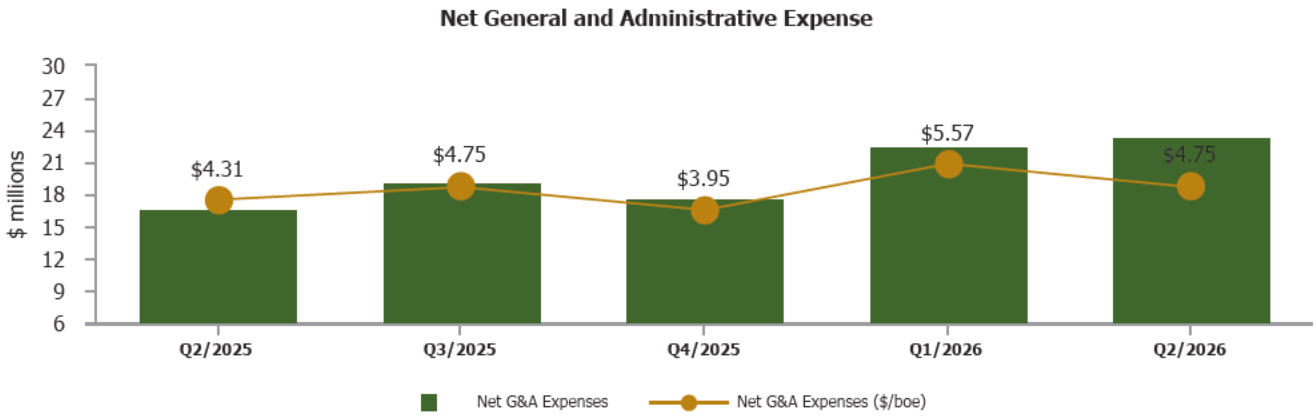
(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Net G&A was $23.4 million and $45.8 million for the three and six months ended June 30, 2026 compared to $16.7 million and $34.5 million for the three and six months ended June 30, 2025. Gross G&A was $27.5 million and $54.7 million for the three and six months ended June 30, 2026 (three and six months ended June 30, 2025 - $20.1 million and $41.7 million). Gross and net G&A have increased compared 2025 as a result of one time severance costs of $2.3 million, increased staffing levels compared to the prior periods, both pre and post acquisition of Frontera, and the appreciation of the Canadian dollar ("Cdn") and COP.

On a per boe basis, net G&A for the six months ended June 30, 2026 increased 16% to $5.12 from $4.42 in the comparative period of 2025 as a result of the increases noted above.

The Company expects G&A expense guidance to be approximately $5.00/bbl for H2 2026, after accounting for the Frontera Transaction, and the addition of the new producing assets in the Magdalena Basin.

The Company's G&A expense is denominated in local currencies of COP and Cdn which, as they appreciate/depreciate, have an impact on G&A expense. Refer to the "Foreign Exchange Sensitivity Analysis" for further information.



Share-Based Compensation

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Equity settled share-based compensation expense	**$ 265**	$ 182	**$ 439**	$ 362
Cash settled share-based compensation expense (recovery)	**(606)**	6,294	**17,887**	8,206
Total share-based compensation expense (recovery)	**$ (341)**	$ 6,476	**$ 18,326**	$ 8,568

Share-based compensation was a recovery of $0.3 million and expense of $18.3 million for the three and six months ended June 30, 2026 compared to an expense of $6.5 million and $8.6 million for the three and six months ended June 30, 2025.

Equity settled share-based compensation expense was $0.3 million and $0.4 million for the three and six months ended 2026 compared to $0.2 million and $0.4 million for the three and six months ended June 30, 2025. Equity settled share-based compensation includes the Company's stock option plan.

Cash settled share-based compensation relates to the Company's cash settled incentive plans and includes cash or share settled restricted share units and performance share units ("CosRSUs and "CosPSUs"), long duration restricted share units and performance share units ("LDRSUs" and "LDPSUs"), cash settled restricted share units ("CRSUs") and deferred share units ("DSUs"). Cash settled share-based compensation for the three and six months ended June 30, 2026 was a recovery of $0.6 million and an expense $17.9 million compared to $6.3 million and $8.2 million expense for the same period in 2025. The increase in expense for the six months ended June 30, 2026 is mainly attributable to additional units issued and the increase in share price. Parex's share price increased 16% during the first half of 2026. The lower expense for the six months ended June 30, 2025 is mainly attributable to the 5% decrease in Parex's share price during the period, partially offset by additional units issued.

Obligations for payments of cash under the Company's cash settled incentive plans are accrued as an expense over the vesting period based on the fair value of the units as described in note 17 - Cash Settled Incentive Plans of the interim consolidated financial statements for the six months ended June 30, 2026. As at June 30, 2026, the total cash settled incentive plans liability accrued was $27.1 million (December 31, 2025 - $37.6 million).

Cash payments to settle cash settled share-based compensation in the three and six months ended June 30, 2026 were $3.4 million and $29.6 million compared to $0.5 million and $11.2 million for the same periods in 2025. The increase in the six months ended June 30, 2026 compared to the 2025 comparative period is mainly related to the increase in Parex's share price at the time of settlement and an increase in the number of units settled.

Depletion, Depreciation and Amortization Expense ("DD&A")

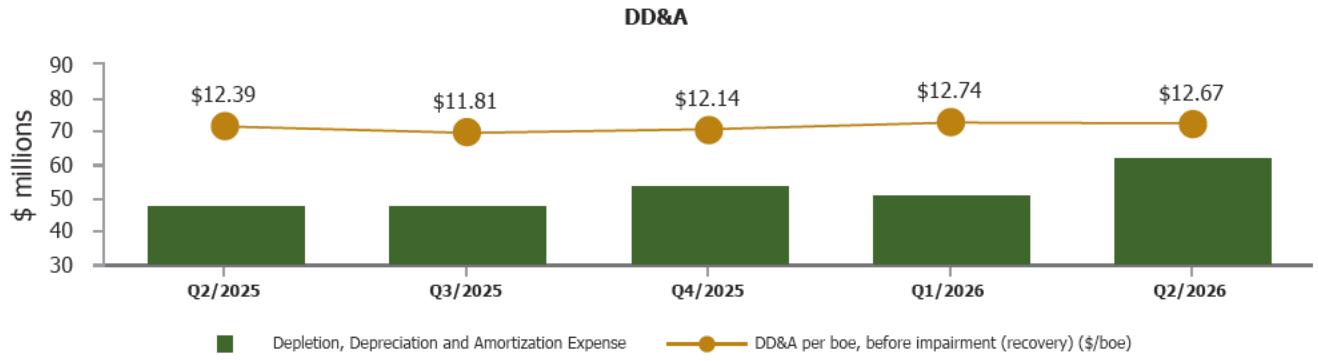
	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	**2026**	2025
DD&A expense ($000s)	**$ 62,382**	$ 47,949	**$ 113,671**	$ 98,368
Per unit ($/boe)[(1)]	**12.67**	12.39	**12.70**	12.61

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Second quarter 2026 DD&A was $62.4 million ($12.67/boe) compared to $47.9 million ($12.39/boe) for the same period in 2025.

For the six months ended June 30, 2026 future development costs of $836.0 million (six months ended June 30, 2025 - $378.0 million) were included in the depletion calculation.

Second quarter 2026 DD&A of $12.67/boe has increased from the comparative period in 2025 of $12.39/boe and decreased slightly from the first quarter of 2026 of $12.74/boe due the increase in depletable base as result of the closing of the Frontera Transaction, transfer of Block LLA-111 costs from E&E and higher production.



Foreign Exchange

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Foreign exchange loss	**$ 1,128**	$ 3,320	**$ 3,403**	$ 1,736
Foreign currency risk management contracts gain	**(5,696)**	(5,357)	**(5,884)**	(5,357)
Total foreign exchange gain	**$ (4,568)**	$ (2,037)	**$ (2,481)**	$ (3,621)
Average foreign exchange rates				
USD$/Cdn$	**1.37**	1.38	**1.38**	1.41
USD$/COP	**3,612**	4,199	**3,656**	4,196

The Company's main exposure to foreign currency risk relates to the pricing of foreign currency denominated in Cdn and COP, as the Company's functional currency is the U.S. Dollar ("USD"). The Company has exposure in Colombia and Canada on costs, such as production expense, transportation expense, G&A expense, and income taxes, all of which may be denominated in local currencies. The main drivers of foreign exchange gains and losses recorded on the consolidated statements of net income and comprehensive income are the COP denominated income tax payable and tax withholdings receivable, accounts payable and accounts receivable. The timing of payment settlements, accruals and their adjustments have impacts on foreign exchange gains/losses.

For the three and six months ended June 30, 2026, the Company recognized total net foreign exchange gains, including the impact of hedging, of $4.6 million and $2.5 million, respectively, compared with net foreign exchange gains of $2.0 million and $3.6 million for the three and six months ended June 30, 2025.

Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates and are recorded in the Company's consolidated statements of net income and comprehensive income.

The Company reviews its exposure to foreign currency variations on an ongoing basis and maintains cash deposits primarily denominated in USD and COP with financial institutions in Canada, Switzerland and Colombia.

Foreign Exchange Sensitivity Analysis

		$/boe Impact of change in local currency/$USD exchange rate	
Cost component	Estimated percent of cost denominated in local currency	10% appreciation of local currency	10% depreciation of local currency
Production expense	90%	$ 1.59	$ (1.59)
Transportation expense	50%	$ 0.33	$ (0.33)
G&A expense	100%	$ 0.48	$ (0.48)

The table above displays the estimated per boe impact of a change in Parex's local currencies and the effect on Parex's key cost components. The component impact in $/boe terms uses Q2 2026 per boe costs. This analysis ignores all other factors impacting cost structure including, but not limited to, efficiencies, cost reduction strategies, and cost inflation.

As at June 30, 2026, with other variables unchanged, the impact on the Company's financial instruments of a 10% strengthening (weakening) of the Cdn and COP against the USD would have decreased (increased) net income by approximately $19.9 million.

Other Expense

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Other Colombian taxes	**$ 622**	$ 2,545	**$ 2,203**	$ 3,326
Colombian tax credit purchased	**—**	8,097	**—**	8,097
Equity tax	**(712)**	—	**6,288**	—
Legal provisions	**1,343**	—	**1,519**	—
(Gain) loss on settlement of decommissioning liabilities	**(1,205)**	357	**(1,221)**	545
Loss on disposition of tangible assets	**4,232**	17	**4,371**	35
Site restoration costs	**4,234**	—	**10,803**	—
Other	**456**	1,437	**2,364**	1,597
Total other expense	**$ 8,970**	$ 12,453	**$ 26,327**	$ 13,600

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Non-cash other expense	**$ 4,955**	$ 374	**$ 5,254**	$ 580
Cash other expense	**4,015**	12,079	**21,073**	13,020
Total other expense	**$ 8,970**	$ 12,453	**$ 26,327**	$ 13,600

Other expense is comprised mainly of other Colombian taxes including the 1% surcharge on the sale or export of crude oil effective for 2025, equity tax, legal provisions, Colombian tax credit purchased to reduce income tax expense in 2025, (gain) loss on settlement of decommissioning liabilities, loss on disposition of tangible assets, site restoration costs and other items. The non-cash components of other expense include the legal provisions, (gain) loss on settlement of decommissioning liabilities and loss on settlement of tangible assets.

On February 24, 2026, through Executive Order 0173, the Colombian Government created a new equity tax applicable for fiscal year 2026. The tax applies to legal entities and de facto partnerships that are income tax filers in Colombia. The tax is assessed and becomes payable on equity as of March 1, 2026 equal to or exceeding 200,000 tax unit's value (UVT) (approximately COP$10.5 billion or US$2.7 million) at rates from 0.5% to 1.6%. This Executive Order will be challenged through the Constitutional Court and it may or may not be overturned by the Court. The equity tax payable was settled by June 30, 2026.

Legal provisions have been recognized in respect of estimated fines and penalties mainly arising from environmental regulatory disputes. Management has assessed the likelihood of settlement and determined the best estimate based on relevant legislation and the probability of enforcement outcomes. The timing of the outflows is expected within 10 years. Significant judgement was applied in estimating the range of possible outcomes given the uncertainty involved.

A provision has been recognized for the estimated costs required for site restoration in accordance with applicable regulations and contractual obligations. Management expects that a portion of these restoration costs will be recovered through insurance arrangements. Insurance recoveries are recognized only when recovery is virtually certain.

Net Finance Expense

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Bank charges and credit facility fees	**$ 1,008**	$ 1,402	**$ 2,226**	$ 2,191
Interest on bank debt	**3,052**	465	**4,826**	1,234
Interest on senior unsecured notes	**7,853**	—	**7,853**	—
Amortization of deferred financing charges	**333**	—	**333**	—
Accretion on decommissioning and environmental liabilities	**3,624**	3,316	**6,268**	6,538
Interest and other income	**(2,740)**	(612)	**(6,144)**	(1,909)
Lease obligation interest expense	**268**	46	**447**	93
Expected credit loss provision (recovery)	**139**	(50)	**613**	(149)
Other	**942**	295	**1,418**	623
Net finance expense	**$ 14,479**	$ 4,862	**$ 17,840**	$ 8,621

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Non-cash finance expense	**$ 3,764**	$ 3,262	**$ 6,882**	$ 6,386
Cash finance expense	**10,715**	1,600	**10,958**	2,235
Net finance expense	**$ 14,479**	$ 4,862	**$ 17,840**	$ 8,621

Bank charges and credit facility fees relate to bank taxes paid in Colombia and the standby fees related to the Company's credit facility. The non-cash components of net finance expense include the accretion on decommissioning and environmental liabilities and the expected credit loss provision (recovery).

Risk Management

Management of cash flow variability is an integral component of Parex's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the board of directors ("the Board" or "Board of Directors") to establish risk management guidelines to be used by management. The risk exposure inherent in movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements are all proactively reviewed by Parex and as considered appropriate may be managed through the use of derivatives primarily with financial institutions that are members of Parex's syndicated bank credit facility. The Company considers these derivative contracts to be an effective means to manage and forecast cash flow.

Parex has elected not to apply IFRS prescribed "hedge accounting" rules and, accordingly, pursuant to IFRS the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity and foreign exchange forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the earnings for that period. As a result, earnings may fluctuate considerably based on the period-ending commodity and foreign exchange forward strip prices, in respect of any outstanding commodity or foreign exchange derivative contracts.

a) Risk Management Contracts - Brent Crude

As at June 30, 2026, the Company had no crude oil risk management contracts in place. The Company is currently unhedged for the remainder of 2026, with full exposure to changes in commodity prices.

The table below summarizes the loss (gain) on the commodity risk management contracts that were in place during the three and six months ended June 30, 2026 and 2025:

	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Realized loss (gain) on commodity risk management contracts	**$ 30,711**	$ (3,337)	**$ 32,947**	$ (3,337)
Premiums paid on commodity risk management contracts	**—**	2,169	**—**	3,530
Unrealized gain on commodity risk management contracts	**(30,635)**	(362)	**(1,050)**	(1,160)
Total loss (gain)	**$ 76**	$ (1,530)	**$ 31,897**	$ (967)

b) Risk Management Contracts – Foreign Exchange

The Company is exposed to foreign currency risk as various portions of its cash balances are held in COP and Cdn to fund ongoing costs denominated in those currencies while its committed capital expenditures are primarily denominated in USD.

As at June 30, 2026, the Company had the following foreign currency risk management contracts in place:

Period Hedged	Reference	Currency Option Type	Amount USD	Strike Price COP	Max Compensation
March 16, 2026 to December 15, 2026	COP	Collar with limited compensation	$81,000,000	3,700-4,200	800
June 19, 2026 to December 15, 2026	COP	Costless collar	$90,000,000	3,400-3,663	N/A

The table below summarizes the gain on the foreign currency risk management contracts that were in place during the three and six months ended June 30, 2026 and 2025 which is recorded in the financial statement line item "Foreign exchange gain" in the consolidated statements of net income and comprehensive income:

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Realized gain on foreign currency risk management contracts	**$ (1,670)**	$ (1,225)	**$ (1,777)**	$ (1,225)
Unrealized gain on foreign currency risk management contracts	**(4,026)**	(4,132)	**(4,107)**	(4,132)
Total	**$ (5,696)**	$ (5,357)	**$ (5,884)**	$ (5,357)

Marketable Securities

	June 30, 2026	December 31, 2025
Marketable securities	**$ 55,375**	$ 45,090

In 2025, the Company acquired 6,084,986 common shares of GeoPark Ltd (NYSE: GPRK) (the "GeoPark Shares") for aggregate consideration of $40.5 million ($6.65 per share). The fair value of these shares at June 30, 2026 was $55.4 million, resulting in an unrealized gain of $10.3 million, which is recorded in the consolidated statement of net income and comprehensive income.

Parex is exposed to market risk associated with its marketable securities, including the GeoPark Shares, primarily driven by changes in the market price and liquidity of the securities. The market price of the GeoPark Shares may be volatile and could be adversely affected by general market conditions, the investee's performance and disclosures, oil and gas commodity prices, interest and foreign exchange rates, geopolitical developments in the investee's areas of operation, and other factors beyond the Company's control.

Income Tax

($000s)	For the three months ended June 30, 2026	2025	For the six months ended June 30, 2026	2025
Current tax expense	**$ 16,889**	$ 9,245	**$ 17,960**	$ 21,132
Deferred tax (recovery) expense	**(59,465)**	378	**(41,302)**	(8,431)
Tax (recovery) expense	**$ (42,576)**	$ 9,623	**$ (23,342)**	$ 12,701
Effective current tax rate on funds flow provided by operations before tax[(1)]	**11 %**	8 %	**7 %**	9 %

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Current tax expense for the three months ended June 30, 2026 was $16.9 million compared to $9.2 million in the three months ended June 30, 2025.

The decrease in current tax expense for the six months ended June 30, 2026 compared to the 2025 comparative period is the result of the continued availability of tax pools in Colombia.

Deferred tax recovery for the three and six months ended June 30, 2026 was $59.5 million and $41.3 million compared to an expense of $0.4 million in the three months ended June 30, 2025 and recovery of $8.4 million for the six months ended June 30, 2025.

The increase in deferred tax recovery for the three and six months ended June 30, 2026 was primarily due to higher tax values than book values for PPE and tax loss carry-forwards associated with the Frontera Transaction. The appreciation of COP also contributed to the increase in the deferred tax recovery.

2026 Current Tax Guidance

The Company expects the effective current tax rate on funds flow provided by operations before tax guidance to be approximately 12-15% for H2 2026, after accounting for the Frontera Transaction, and the addition of new producing assets in the Magdalena Basin.

The table below reflects the Company's expected effective current tax rate on funds flow provided by operations before tax in 2026 after accounting for the Frontera Transaction, and the addition of the new producing assets in the Magdalena Basin:

Brent price assumption	**$60/bbl**	**$70/bbl**	**$80/bbl**	**$90/bbl**	**$100/bbl**
Effective current tax rate on before tax funds flow provided by operations[(1)]	1-3%	5-8%	8-12%	12-15%	15-18%

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Capital Expenditures

For the three months ended June 30,	Colombia		Canada		Total	
($000s)	**2026**	2025	**2026**	2025	**2026**	2025
Acquisition of unproved properties	**$ 4,408**	$ 616	**$ —**	$ —	**$ 4,408**	$ 616
Geological and geophysical	**835**	8,699	**—**	—	**835**	8,699
Drilling and completion	**111,687**	68,754	**—**	—	**111,687**	68,754
Well equipment and facilities	**15,015**	10,492	**—**	—	**15,015**	10,492
Other	**1,528**	—	**220**	129	**1,748**	129
Total capital expenditures[(1)]	**$ 133,473**	$ 88,561	**$ 220**	$ 129	**$ 133,693**	$ 88,690

For the six months ended June 30,	Colombia		Canada		Total	
($000s)	**2026**	2025	**2026**	2025	**2026**	2025
Acquisition of unproved properties	**$ 4,408**	$ 1,226	**$ —**	$ —	**$ 4,408**	$ 1,226
Geological and geophysical	**835**	8,965	**—**	—	**835**	8,965
Drilling and completion	**194,892**	122,109	**—**	—	**194,892**	122,109
Well equipment and facilities	**22,654**	13,220	**—**	—	**22,654**	13,220
Other	**1,536**	—	**411**	224	**1,947**	224
Total capital expenditures[(1)]	**$ 224,325**	$145,520	**$ 411**	$ 224	**$ 224,736**	$ 145,744

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Below is additional information related to capital expenditures in the periods by key operating area:

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Llanos Basin	**$ 77,130**	$ 68,413	**$ 122,697**	$ 112,199
Putumayo Basin	**16,910**	2,389	**48,139**	2,389
Block LLA-34	**19,924**	$ 15,908	**30,117**	28,343
Magdalena Basin	**18,491**	1,851	**22,346**	2,589
Canada and Colombia - Corporate	**1,238**	129	**1,437**	224
Total capital expenditures[(1)]	**$ 133,693**	$ 88,690	**$ 224,736**	$ 145,744

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

During the six months ended June 30, 2026 the Company incurred $224.7 million of capital expenditures with 97% spent on drilling, completion, well equipment and facilities in Colombia. During the six months ended June 30, 2025, the Company incurred $145.7 million of capital expenditures with 93% spent on drilling, completion, well equipment and facilities in Colombia.

During the second quarter of 2026 the Company incurred $133.7 million of capital expenditures with 95% spent on drilling, completion, well equipment and facilities in Colombia. During the second quarter of 2025, the Company incurred $88.7 million of capital expenditures with 89% spent on drilling, completion, well equipment and facilities in Colombia.

During the six months ended June 30, 2026 the Company's capital expenditures of $224.7 million were self-funded from funds flow provided by operations of $245.8 million.

Business Combination

Frontera Transaction

On June 1, 2026, the Company closed its previously announced acquisition of all the Colombian exploration and production assets of Frontera Energy Corporation, pursuant to which the Company, through a wholly-owned subsidiary, acquired 100% of the issued and outstanding shares of Frontera Petroleum International Holdings B.V., which holds all of Frontera's exploration and production assets in Colombia, for cash consideration of $500 million, plus the assumption of debt, in addition to a contingent payment of $25 million (the "Frontera Transaction"). The Frontera Transaction was funded with the proceeds from the Company's issuance of senior unsecured notes, see Note 14 - Debt for details.

The contingent consideration is payable to Frontera if, within 12 months following the closing of the Frontera Transaction, the Company obtains a contractual amendment or other binding agreement extending the term of the Quifa Association Contract. At the acquisition date, the contingent consideration was recognized at its estimated fair value of $12.5 million, reflecting management's probability-weighted assessment of the payment condition being satisfied. As any payment, if triggered, is expected within 12 months of the acquisition date, the effect of discounting was not material.

The fair value measurement of the contingent consideration is classified within Level 3 of the fair value hierarchy because it uses significant unobservable inputs, principally the probability of obtaining the required contractual extension. The contingent consideration was remeasured at June 30, 2026, with no change in its fair value recognized during the period.

IFRS 3 requires the amounts to record for the underlying assets and liabilities acquired to be determined at the closing date (the "acquisition date") whereas the consideration for the business was negotiated earlier and voted on by the Frontera shareholders April 30, 2026. Furthermore, deferred tax assets are recorded at undiscounted amounts based on temporary differences existing at the acquisition date and are therefore not recorded at fair value under IFRS. The tax basis of the underlying assets acquired is in Colombian pesos which differs from the functional currency of the company and due to volatility in currencies this also significantly increased the US dollar equivalent value of the tax pools at the acquisition date relative to the time when the purchase was negotiated. As a result, the Company has estimated that the deferred tax assets contributed to the recognition of a bargain purchase gain approximating the deferred tax assets recognized.

The consolidated statements of net income and comprehensive income include results of operations of the Frontera Transaction since the closing date of June 1, 2026. The Company incurred transaction costs in connection with the Frontera Transaction of $28.4 million and $29.0 million for the three and six months ended June 30, 2026 respectively, which are expensed as incurred and presented in the consolidated statements of net income and comprehensive income.

The below amounts are estimates which were made by management at the time of the preparation of these condensed interim consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized for a period of up to one year. The pro forma information disclosed below is presented for informational purposes only and is not necessarily indicative of the results that would have been achieved had the Frontera Transaction occurred on January 1, 2026, nor is it indicative of future results.

The key assumptions used in the business combination to calculate the purchase price allocation include reserve estimates of proved plus probable reserves acquired that are based on production forecasts, future commodity prices, future development costs and future production costs.

As a result of the acquisition, the Company recognized a bargain purchase gain of $302.5 million, representing the excess of the fair value of the identifiable net assets acquired over the consideration transferred. The bargain purchase gain was recognized in the consolidated statements of net income and comprehensive income.

Before recognizing the bargain purchase gain, the Company assessed the completeness and accuracy of the assets acquired, liabilities assumed and consideration transferred, including the valuation methodologies and key assumptions applied in determining acquisition-date fair values, in accordance with IFRS 3.

Assets acquired and liabilities assumed		
Assets		
Cash and cash equivalents	$	165,859
Restricted cash and cash equivalents		10,657
Accounts receivables		84,094
Prepaids and other current assets		11,181
Short-term inventory		67,569
Current income tax receivable		61,927
Exploration and evaluation assets		11,089
Property, plant and equipment		986,557
Right-of-use-asset		16,003
Other long-term assets		18,198
Deferred tax asset		302,483
Liabilities		
Accounts payable and accrued liabilities		(344,031)
Derivative financial instruments		(1,282)
Long-term debt - unsecured notes		(307,311)
Customer prepayments		(80,300)
Lease obligations		(16,003)
Decommissioning and environmental liabilities		(179,999)
Other long-term liabilities		(8,013)
Net assets acquired	**$**	**798,678**
Consideration transferred		(496,195)
Bargain purchase gain	**$**	**302,483**

Consideration for the acquisition		
Base purchase price	$	500,000
Purchase price adjustments		(16,305)
Cash consideration paid at closing		483,695
Fair value of contingent consideration		12,500
Total consideration	**$**	**496,195**
Cash paid	$	483,695
Less: Cash and cash equivalents acquired		(176,516)
Net cash outflow on acquisition	**$**	**307,179**

The pro forma results for the six month period ended June 30, 2026 are shown below, as if the Frontera Transaction had occurred on January 1, 2025. Pro forma results are not indicative of actual results or future performance.

Oil and natural gas sales	$	1,205,557
Net revenue less direct costs	$	569,531

The pro forma net income and pro forma net income per share, basic and diluted, are considered impracticable to calculate and therefore not included. The consolidated statement of net income and comprehensive income for the six months ended June 30, 2026 includes $129.5 million of oil and natural gas sales attributable to the assets acquired since the Frontera Transaction. Revenue less direct costs for the six months ended June 30, 2026 attributable to the assets acquired since the Frontera Transaction is $39.7 million.

Property Acquisition

On March 14, 2025, Parex, through a foreign subsidiary, acquired an additional 25% working interest in the Azogue field in the LLA-32 Block and 12.5% working interest in the remainder of the LLA-32 Block (the "LLA-32 Acquisition") resulting in 100% working interest in the Block for the Company. The Company paid total net consideration of $16.0 million.

The consolidated statement of net income and comprehensive income includes results of operation of the LLA-32 Acquisition since the closing date of March 14, 2025. There were no transaction costs associated with the LLA-32 Acquisition.

This transaction has been accounted for using the acquisition method whereby the assets acquired and the liabilities assumed are recorded at fair values. As the fair value of the identifiable assets was determined to equal the purchase price, no goodwill arose on the transaction. The following table summarizes the recognizable assets acquired and consideration paid pursuant to the acquisition:

Assets acquired and liabilities assumed		
PP&E	$	16,788
Decommissioning liabilities		(820)
	$	15,968

Consideration for the acquisition		
Purchase price	$	19,000
Purchase price adjustments		(3,032)
Net consideration	$	15,968
Cash paid	$	14,970
Working capital adjustments		998
Total consideration paid	**$**	**15,968**

No working capital was included in the assets acquired.

The pro forma results for the period ended March 31, 2025 are shown below, as if the LLA-32 Acquisition had occurred on January 1, 2025. Pro forma results are not indicative of actual results or future performance.

Oil and natural gas sales	$	508,468
Net revenue less direct costs or operating netback[(1)]	$	299,815

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".

The pro forma net income and pro forma net income per share, basic and diluted, are considered impracticable to calculate and therefore not included. The consolidated statement of net income and comprehensive income for the six months ended June 30, 2025 includes $11.3 million of oil sales attributable to the assets acquired since the LLA-32 Acquisition. Revenue less direct costs for the six months ended June 30, 2025 attributable to the assets acquired since the LLA-32 Acquisition is $7.3 million.

Long-Term Inventory

The Company has long-lead material and equipment inventory such as drill casing, natural gas compressors, and other major equipment. With at times strong demand for material and equipment used in oil and gas operations, periodically the Company secures material and equipment ahead of its upcoming capital programs. The Company plans on deploying this long-lead inventory over the coming years.

Cost		
Balance at December 31, 2024	**$**	**199,474**
Additions		10,441
Transfers to E&E and PP&E assets		(25,045)
Transfer to production costs		(1,787)
Sale of inventory		(1,187)
Impairment		(6,470)
Balance at December 31, 2025	**$**	**175,426**
Additions		7,224
Transfers to E&E and PP&E assets		(14,558)
Sale of inventory		(726)
Balance at June 30, 2026	**$**	**167,366**

The table below represents the other long-term inventory expenditures for the three and six months ended June 30, 2026 and 2025:

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Additions	**$ 5,547**	$ 5,147	**$ 7,224**	$ 5,877
Transfers to D&P and E&E assets	**(6,607)**	(7,076)	**(14,558)**	(11,510)
Transfer to production costs	**—**	(1,040)	**—**	(1,984)
Sale of inventory	**(183)**	(698)	**(726)**	(698)
Total long-term inventory expenditures, net of transfers and sales	**$ (1,243)**	$ (3,667)	**$ (8,060)**	$ (8,315)

Summary of Quarterly Results

Three months ended ($000s) (except per share amounts)	**Jun. 30, 2026**	Mar. 31, 2026	Dec. 31, 2025	Sep. 30, 2025
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	**14,515**	13,726	14,664	10,257
Heavy Crude Oil (bbl/d)	**37,130**	29,269	32,267	32,026
Natural gas liquids (boe/d)	**765**	254	171	268
Crude Oil (bbl/d)	**52,410**	43,249	47,102	42,551
Conventional Natural Gas (mcf/d)	**10,266**	8,916	9,024	8,412
Total (boe/d)	**54,121**	44,735	48,606	43,953
Realized sales price - oil ($/bbl)[6]	**91.48**	67.70	56.70	62.32
Financial ($000s except per share amounts)				
Oil and natural gas sales	**$ 466,016**	$ 271,377	$ 248,713	$ 252,424
Funds flow provided by operations[5]	**$ 132,054**	$ 113,702	$ 122,922	$ 105,298
Per share – basic[2][4]	**1.37**	1.18	1.28	1.09
Per share – diluted[2][4]	**1.37**	1.18	1.28	1.09
Adjusted Funds flow provided by operations[5]	**$ 191,155**	$ 116,548	$ 122,115	$ 108,491
Per share – basic[2][4]	**1.99**	1.21	1.27	1.12
Per share – diluted[2][4]	**1.98**	1.21	1.27	1.12
Net income	**$ 444,296**	$ 4,589	$ 74,865	$ 50,476
Per share – basic[4]	**4.62**	0.05	0.78	0.52
Per share – diluted[4]	**4.61**	0.05	0.78	0.52
Dividends paid	**$ 26,483**	$ 26,937	$ 26,853	$ 26,892
Per share - Cdn$[4][6]	**0.385**	0.385	0.385	0.385
Capital Expenditures[1]	**$ 133,693**	$ 91,043	$ 84,620	$ 79,961
Total assets (end of period)	**$ 4,235,530**	$ 2,496,102	$ 2,341,092	$ 2,260,531
Outstanding shares (end of period) (000s)	**96,180**	96,115	95,974	96,564
Net debt (net cash)[5]	**$ 906,598**	$ 39,694	$ 4,973	$ 13,167
Working capital surplus (end of period)[3][5]	**$ (83,222)**	$ 135,506	$ 28,027	$ (3,167)

Three months ended ($000s) (except per share amounts)	Jun. 30, 2025	Mar. 31, 2025	Dec. 31, 2024	Sep. 30, 2024
Average daily production				
Light Crude Oil and Medium Crude Oil (bbl/d)	10,182	10,276	9,290	8,774
Heavy Crude Oil (bbl/d)	31,047	32,207	34,882	37,777
Natural gas liquids (boe/d)	316	374	260	290
Crude Oil (bbl/d)	41,545	42,857	44,432	46,841
Conventional Natural Gas (mcf/d)	5,982	4,806	5,190	4,368
Total (boe/d)	42,542	43,658	45,297	47,569
Realized sales price - oil ($/bbl)[6]	61.07	67.05	64.01	69.07
Financial ($000s except per share amounts)				
Oil and natural gas sales	$ 239,070	$ 265,635	$ 277,824	$ 302,033
Funds flow provided by operations[5]	$ 104,821	$ 121,944	$ 141,201	$ 151,773
Per share – basic[2][4]	1.08	1.24	1.43	1.50
Per share – diluted[2][4]	1.08	1.24	1.43	1.50
Adjusted Funds flow provided by operations[5]	$ 103,653	$ 123,305	$ 141,201	$ 151,773
Per share – basic[2][4]	1.06	1.26	1.43	1.50
Per share – diluted[2][4]	1.06	1.26	1.43	1.50
Net income (loss)	$ 49,113	$ 80,629	$ (69,051)	$ 65,793
Per share – basic[4]	0.50	0.82	(0.70)	0.65
Per share – diluted[4]	0.50	0.82	(0.70)	0.65
Dividends paid	$ 27,561	$ 26,365	$ 26,658	$ 28,467
Per share - Cdn$[4][6]	0.385	0.385	0.385	0.385
Capital Expenditures[1]	$ 88,690	$ 57,054	$ 82,110	$ 82,367
Total assets (end of period)	$ 2,223,178	$ 2,197,955	$ 2,155,062	$ 2,290,683
Outstanding shares (end of period) (000s)	97,184	97,814	98,339	100,031
Net debt (net cash)[5]	(2,048)	(19,040)	603	(7,509)
Working capital surplus (end of period)[3][5]	$ 20,048	$ 69,040	$ 59,397	$ 37,509

(1) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures Advisory".
(3) Working capital does not include the undrawn amount available on the credit facility.
(4) Per share amounts (with the exception of dividends) are based on weighted average common shares. Dividends paid per share are based on the number of common shares outstanding at each dividend record date.
(5) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory".
(6) Supplementary financial measure. See "Non-GAAP and Other Financial Measures Advisory".

Factors that Caused Variations Quarter Over Quarter

Trends in net income, oil and natural gas sales and funds flow provided by operations are primarily associated with fluctuations in commodity sales from production which reflect changes in production levels and commodity prices, in addition to fluctuations in foreign currency (see "Foreign Exchange" section). The acquisition of Frontera Energy Corporation's exploration and production assets, completed on June 1, 2026, also impacted quarter-over-quarter trends through the inclusion of the acquired operations' production, revenue, operating expenses and other financial statement items.

Net income is also impacted by changes in non-cash impairment of property, plant and equipment, exploration and evaluation and long term-inventory assets, as well as acquisition-related accounting adjustments, including fair value adjustments recognized as part of the purchase price allocation. Changes in income taxes, as discussed in the section "Income Tax", also impact net income for current and deferred taxes, while funds flow provided by operations is impacted by current income taxes.

Working capital trends are primarily associated with fluctuations in funds flow provided by operations, capital expenditures and long-term inventory expenditures in accordance with the Company's activities, as well as the timing of settlement of receivables, payables and income taxes. Quarter-over-quarter working capital changes also reflect the impact of the Frontera Transaction, including the assumption of acquired working capital balances, debt-related balances and other liabilities recognized at fair value on the acquisition date. Financing activities, including bank debt borrowings or repayments, the issuance or repayment of debt, and the cost associated with share repurchases and dividend payments, also impact working capital and liquidity trends.

Refer to "Financial and Operating Results" for detailed discussions on variations during the comparative quarters and to Parex's previously issued annual and interim MD&As for further information regarding changes in prior quarters.

Liquidity and Capital Resources

The Company remains committed to delivering returns to shareholders, while also investing in its assets to provide a total shareholder return. The Company primarily relies on funds flow provided by operations and its credit facility to meet capital requirements, dividend payments, share repurchases and maintain liquidity. After evaluating its current liquidity, working capital position, projected working capital needs, operational results, and financial forecasts, the Company anticipates that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities. While the Company deems this outlook reasonable, available cash and cash equivalents are subject to variations and risk associated with ordinary operations, and it cannot guarantee that all or part of its liquidity objective will be met, that sufficient internal funds will be generated, or that external financing will be available if needed.

The Company can adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure, share buy-back and dividend programs to the extent the capital expenditures are not committed. The Company considers its capital structure to include shareholders' equity, the credit facility, unsecured notes and its working capital. As at June 30, 2026, shareholders' equity was $2,351.7 million (December 31, 2025 - $1,952.9 million).

As at June 30, 2026, the Company had a working capital deficit of $83.2 million[(1)] as compared to a working capital surplus of $28.0 million[(1)] at December 31, 2025. The decrease was primarily attributable to the acquisition of Frontera and the related assumption of current liabilities, partially offset by higher unrestricted cash balances.

As at June 30, 2026, Parex held $163.3 million of unrestricted cash compared to $58.3 million at December 31, 2025. The Company's cash balances reside primarily in current accounts with chartered financial institutions, the majority of which are held on account in Canada, Switzerland and Colombia in USD.

Parex's senior secured credit facility is with a syndicate of three Canadian banks and has a current borrowing base of $240.0 million (December 31, 2025 - $240.0 million). The credit facility is intended to provide additional liquidity and fund cash or letter of credit needs as they arise. As at June 30, 2026, there was no draw on the credit facility (at December 31, 2025 - $33.0 million was drawn). The credit facility is secured by the Company's Colombian assets and has final maturity date of May 31, 2028. The next annual review is scheduled to occur in May 2027. Parex expects to draw on the credit facility at various times to manage timing differences associated with timing of vendor payments and oil sales collections. Key covenants include a rolling four quarters total funded debt to adjusted EBITDA test of 3.50:1, senior secured debt to adjusted EBITDA test of 3.00:1, and other standard business operating covenants for each reporting period. The Company is in compliance with all covenants.

On May 11, 2026, in conjunction with the Frontera Transaction, the Company completed a $500.0 million private placement offering of senior unsecured notes due 2031 ("2031 Unsecured Notes") to fund the acquisition and for general corporate purposes. The notes were priced at par, bear interest at a rate of 8.50% per annum and mature on May 11, 2031, unless earlier redeemed or repurchased. The interest is payable semi-annually in arrears on November 11 and May 11 of each year, beginning on November 11, 2026. The carrying value for the 2031 Unsecured Notes as at June 30, 2026 was $485.0 million compared to the fair value of $508.0 million (Level 2 input). Gross proceeds from the issuance were $500.0 million, with initial carrying amount of $484.6 million after deducting the initial offering expenses payable by the Company of $15.4 million. Key covenants include a fixed charge test of not less than 2.25:1 and net debt to adjusted EBITDA test of 3.50:1 and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

As part of the Frontera Transaction, the Company assumed all of Frontera's obligations under its $310.0 million aggregate principal amount of 7.875% senior unsecured notes due 2028 ("2028 Unsecured Notes") issued on June 21, 2021. The interest is payable semi-annually in arrears on June 21 and December 21 of each year, beginning on December 21, 2021. The 2028 Unsecured Notes will mature June 21, 2028, unless earlier redeemed or repurchased. The carrying value for the 2028 Unsecured Notes as at June 30, 2026 was $307.3 million compared to the fair value of $308.8 million (Level 2 input). Key covenants include a fixed charge test of not less than 2.25:1 and net debt to adjusted EBITDA test of 3.25:1 and other standard business operating covenants for each reporting period. The Company was in compliance with all key covenants at June 30, 2026.

The 2028 and 2031 unsecured notes are subordinated to secured debt to the extent of the value of the assets securing such indebtedness.

Refer to note 27 - Commitments and Contingencies of the interim financial statements for the period ended June 30, 2026 for information regarding performance guarantees and unsecured letters of credit.

(1) Capital Management Measure. See "Non-GAAP and Other Financial Measures Advisory".

Outstanding Share Data

Parex is authorized to issue an unlimited number of voting common shares without nominal or par value. As at June 30, 2026 the Company had 96,180,254 common shares outstanding compared to 95,974,136 at December 31, 2025. At July 30, 2026 the Company had 96,180,254 common shares outstanding.

The Company has a stock option plan that provides for the issuance of stock options to acquire common shares to the Company's officers, executives and certain employees resulting in common shares issued from treasury.

As at July 30, 2026 Parex has the following securities outstanding:

	Number	%
Common shares	96,180,254	99 %
Stock options	1,220,293	1 %
	97,400,547	**100 %**

As of the date of this MD&A, total stock options outstanding represent approximately 1% of the total issued and outstanding common shares.

Contractual Obligations, Commitments and Contingencies

In the normal course of business, Parex has entered into arrangements and incurred obligations that will affect the Company's future operations and liquidity. These commitments primarily relate to joint venture farm-in arrangements, business collaboration agreements and exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts or the Company can negotiate extensions of the exploration periods. The Company's exploration commitments are described in the Company's AIF under "Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity.

The following table summarizes the Company's estimated undiscounted commitments as at June 30, 2026:

	2026	2027	2028	2029	2030	Thereafter	Total
Exploration and Evaluation							
Minimum work commitments	$ 40,655	$ 143,911	$ 104,155	$ 11,689	$ —	$ 405,504	705,914
Transportation	13,884	2,554	—	—	—	—	16,438
Operating leases	1,228	2,271	623	—	—	—	4,122
Other commitments							
Purchased oil	58,325	—	—	—	—	—	58,325
Energy supply commitments	16,630	12,537	13,109	8,249	8,495	8,741	67,761
Decommissioning and Environmental Obligations	27,707	—	—	—	—	714,309	742,016
Total	**$ 158,429**	**$ 161,273**	**$ 117,887**	**$ 19,938**	**$ 8,495**	**$1,128,554**	**$1,594,576**

Exploration and Evaluation Minimum work commitments

At June 30, 2026, performance guarantees to support the exploration work commitments on the Company's Colombian concessions were in place with the ANH and Ecopetrol joint venture blocks in the amount of $504.1 million (December 31, 2025 - $235.1 million). The guarantees have been provided in the form of letters of credit for varying terms that are mainly provided by select Latin American banks on an unsecured basis. The letters of credit issued to the ANH and Ecopetrol are reduced from time to time to reflect the work performed on the various blocks.

The value of the Company's exploration commitments as at June 30, 2026 in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements, is as disclosed above.

Transportation
Includes ship-or-pay contracts with Bicentenario and Cenit where the pledged inventory crude oil is stored in Cenit's terminal of Coveñas (TLU-3) instead of Ocensa's terminal. A pledge agreement with Ocensa and Cenit is in place, which guarantees the payment obligations of both contracts.

Operating leases
In the normal course of business, Parex has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments include leases for office space and accommodations. The existing minimum lease payments for office space and accommodations at June 30, 2026 are as disclosed above.

Purchased oil
Includes an agreement in place covering crude oil purchases for 2026.

Energy supply
Includes executed contracts for grid-connected, on-site generation, and solar power sources, ensuring the electricity supply across operational blocks, particularly Quifa and CPE-6.

Contingencies
The Company is involved in various claims and litigation arising from the normal course of business. Given the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour. Management has assessed the likelihood of settlement and determined the best estimate based on relevant information and the probability of outcomes. Significant judgement was applied in estimating the range of possible outcomes given the uncertainty involved.

Refer to Note 8 - Business Combinations of the condensed interim financial statements for the period ended June 30, 2026 regarding the contingent payment agreed to as part of the consideration of the Frontera Transaction.

Decommissioning and Environmental Liabilities

	Decommissioning	Environmental	Total
Balance, December 31, 2024	$ 68,469	$ 9,206	$ 77,675
Additions	6,407	3,275	9,682
Property acquisitions - Note 9	702	118	820
Settlements of obligations during the year	(5,877)	(3,635)	(9,512)
Loss (gain) on settlement of obligations	596	(449)	147
Accretion expense	8,160	962	9,122
Change in estimate - inflation and discount rates	(6,197)	(1,192)	(7,389)
Change in estimate - costs and timing of settlements	2,216	1,490	3,706
Foreign exchange loss	3,087	1,827	4,914
Balance, December 31, 2025	$ 77,563	$ 11,602	$ 89,165
Additions	10,772	2,723	13,495
Acquired on close of business combination - Note 8	156,249	23,750	179,999
Discount rate adjustment on obligations acquired	32,355	5,894	38,249
Settlements of obligations during the period	(8,614)	(2,450)	(11,064)
Gain on settlement of obligations	(1,046)	(175)	(1,221)
Accretion expense	5,442	826	6,268
Change in estimate - inflation and discount rates	17,830	4,264	22,094
Change in estimate - costs and timing of settlements	(5,014)	935	(4,079)
Foreign exchange loss	5,537	3,120	8,657
Balance, June 30, 2026	**$ 291,074**	**$ 50,489**	**$ 341,563**
Current obligation	(18,572)	(9,135)	(27,707)
Long-term obligation	**$ 272,502**	**$ 41,354**	**$ 313,856**

The total environmental, decommissioning and restoration obligations were determined by management based on the estimated costs to settle environmental impact obligations incurred and to reclaim and abandon the wells and well sites based on contractual requirements. The obligations are expected to be funded from the Company's internal resources available at the time of settlement.

The total decommissioning and environmental liability is estimated based on the Company's net ownership in wells drilled as at June 30, 2026, the estimated costs to abandon and reclaim the wells and well sites and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's decommissioning liability is approximately $641.6 million as at June 30, 2026 (December 31, 2025 – $244.5 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 11.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2025 – 12.5% risk-free discount rate and a 4% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the decommissioning liability is $18.6 million (December 31, 2025 – $7.3 million) that is classified as a current obligation.

The total undiscounted amount of cash flows required to settle the Company's environmental liability is approximately $100.4 million as at June 30, 2026 (December 31, 2025 – $29.7 million) with the majority of these costs anticipated to occur in 2033 or later in Colombia. A risk-free discount rate of 11.4% and an inflation rate of 4.0% were used in the valuation of the liabilities (December 31, 2025 – 12.5% risk-free discount rate and a 4% inflation rate). The risk-free discount rate and the inflation rate used are based on forecast Colombia rates.

Included in the environmental liability is $9.1 million (December 31, 2025 – $2.8 million) that is classified as a current obligation.

Decommissioning liabilities are considered critical accounting estimates. There are significant uncertainties related to decommissioning expenditures and the impact on the financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. The main factors that can cause expected estimated cash flows in respect of decommissioning liabilities to change are:

- Changes in laws and legislation;
- Construction of new facilities;
- Change in commodity price;
- Change in the estimate of oil reserves and the resulting amendment to the life of reserves;
- Changes in technology; and
- Execution of decommissioning liabilities.

Subsequent Events

Ecopetrol Strategic Partnership

Previously, on May 4, 2026, the Company announced that it had executed an agreement with its strategic partner Ecopetrol S.A., whereby the Company will earn a 50% participating share in the Casabe and Llanito blocks in the Magdalena Basin of Colombia, upon spudding the first well on each block. The assets currently produce approximately 15,000 bbl/d of medium crude oil (gross).This production is expected to add a stable, cash-generating base to Parex's portfolio while also establishing a new core operating and development area for future growth.

With the agreement closed as of July 29, 2026, and all regulatory approvals received, Parex plans to spud its first wells during H2 2026 and trigger its participating share on each block.

Advisory on Forward-Looking Statements

Certain information regarding Parex set forth in this MD&A, including assessments by the Company's management of the Company's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "continue", "forecast", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex. In particular, forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to:

- the Company's operational strategy, plans, priorities and focus;
- Parex's expectation to provide a total shareholder return, while investing in the Company's assets;
- Parex's expectations as to debt levels, commodity risk management and other hedging activities;
- Parex's expectations that a portion of its site restoration costs will be recovered through insurance;
- Parex's H2 and FY 2026 guidance, including its anticipated capital expenditures; funds flow provided by operations and average production;

- Parex's anticipated H2 2026 production, transportation and G&A expenses per boe;
- Parex's expectations that its transportation expense will fluctuate period over period due to the mix of sales contracts types in force during the period;
- that Parex will review its exposure to foreign currency variations on an ongoing basis;
- Parex's foreign exchange sensitivity analysis;
- the terms and purpose of the Company's credit facility including the timing of the next annual review;
- the Company's plan to draw on the credit facility at various times to manage timing differences associated with the timing of vendor payments and oil sales collections;
- the Company's expectation that its available cash and cash equivalents, credit facilities, and expected funds flow provided by operations will be sufficient to support the growth of the Company and fund development activities;
- Parex's estimated undiscounted commitments, including exploration, office and accommodations and decommissioning and environmental obligations, and the anticipated timing thereof;
- the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's risk management strategy and the fluctuation of earnings based on strip prices;
- expectations regarding the integration of the Frontera assets and realization of anticipated synergies and benefits therefrom;
- expectations regarding Parex's participation in the Casabe and Llanito blocks in the Magdalena Basin under its business collaboration with Ecopetrol, including the current approximate production and timing of first well spud thereunder;
- anticipated timing of spudding the Company's first well at the Piedemonte prospect in Fall 2026 and commencement of civil works;
- expectations regarding exploration success at LLA-111, the expansion of a multi-field development in the Eastern Llanos, current and anticipated production levels therefrom, and the anticipated long-term production capacity trajectory;
- anticipated timing of beginning civil works at Farallones in H2 2026;
- expectations regarding the identification and capture of operational and strategic synergies from the Frontera Transaction, including in marketing, supply chain, tax and other functions, and the expected timing of realizing associated benefits;
- performance projections in connection with elevated energy costs, including expectations that production expense will trend toward the upper end of H2 2026 guidance;
- the Company's risk management strategy and the use of derivatives primarily with financial institutions to manage movements in the price of crude oil, fluctuations in the USD/COP exchange rate and interest rate movements; that the Company will be able to manage and forecast cash flow through derivative contracts;
- the Company's estimated effective tax rates for 2026;
- Parex's plans of deploying its long-lead material inventory over the coming years;
- anticipated Brent prices and fluctuations in Parex's realized price differential to Brent crude period over period; and
- terms of certain of Parex's contractual obligations.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: the impact of general economic conditions in Canada and Colombia; an unpredictable tariff and trade environment; prolonged volatility and fluctuations in commodity prices; industry conditions including changes in laws and regulations such as the adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; determination by the Organization of Petroleum Exporting Countries and other countries as to production levels; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; imprecisions in reserve, resource and revenue estimates; incorrect forecasts of the production and growth potential of Parex's assets; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; fluctuations in foreign exchange or interest rates; geopolitical disruption including the U.S.-Iran conflict and the consequences arising therefrom; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industries; ability to access sufficient capital from internal and external sources; risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; risk of failure to achieve the anticipated benefits associated with acquisitions, including the integration of the Frontera assets; failure of counterparties to perform under the terms of their contracts; changes to pipeline capacity; the risk that Brent oil prices may be lower than anticipated; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities may not be consistent with its expectations; the risk that Parex may not have sufficient financial resources in the future to provide distributions to its shareholders; the risk that the Board may not declare dividends in the future and that there may not be base dividend growth or that Parex's dividend policy changes; the risk that Parex's risk management strategy may not be an effective means of managing and forecasting cash flow; the risk that Parex may not be responsive to changes in commodity prices; the risk that the Company's capital and operating expenditures relating to the protection of the environment may be greater than anticipated; the risk that Parex may not meet its production or capital expenditure guidance for the year ended December 31, 2026; the risk that the Company's environmental strategies may not be successful and that the Company may not remain in material compliance with environmental protection legislation; the risk that Parex may not deploy its long-lead inventory when anticipated; the risk that Parex may not be successful in attracting and retaining qualified successors to senior officers in the event of departure; risks related to the integration of the Frontera assets and the realization of the anticipated synergies and benefits therefrom; risk related to the Ecopetrol partnership, including the timing of first production, the execution of the capital program, and the realization of anticipated benefits therefrom; risks related to the Ecopetrol partnership and the satisfaction of the arrangement's conditions related thereto; the uncertainties and factors discussed under "Decommissioning and

Environmental Liabilities" in this MD&A; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations, business environment and financial results is included in the "Risk Factors" section in the Company's AIF for the year ended December 31, 2025 and in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca) or Parex's website at www.parexresources.com.

Although the forward-looking statements contained in this MD&A are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, Parex has made assumptions regarding, among other things: current and anticipated commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to areas of the Company's operations and infrastructure; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies and environmental legislation on the Company's operations; recoverability of reserves and future production rates; timing and number of dry hole write-offs permitted for Colombian tax purposes; royalty rates; future operating costs; foreign exchange rates; the status of litigation; timing of drilling and completion of wells; receipt of partner, regulatory and community approvals; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and gas properties in the manner currently contemplated; that Parex's evaluation of its existing portfolio of development and exploration opportunities is consistent with its expectations; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; the successful integration of the Frontera assets and the realization of anticipated synergies and benefits therefrom; the successful execution of the Ecopetrol partnership arrangement including the timing of first production and capital commitments and the realization of anticipated benefits therefrom; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient financial resources to pay dividends and acquire shares pursuant to its NCIB in the future; that strip prices will remain unchanged; and other matters. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing or generate sufficient cash flow to develop such reserves.

Forward-looking statements and other information contained in this MD&A concerning the oil and natural gas industry in the countries in which it operates and the Company's general expectations concerning this industry are based on estimates prepared by Management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management has included forward-looking information, and the above summary of assumptions and risks related to forward-looking information in this MD&A in order to provide shareholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive therefrom. readers are cautioned not to place undue reliance of forward-looking information. These forward-looking statements are made as of the date of this MD&A and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This MD&A contains information that may constitute a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: Parex's H2 and 2026 guidance, including its anticipated capital expenditures and funds flow provided by operations; Parex's anticipated H2 2026 production expense per boe; Parex's expectations that its transportation expense will fluctuate period over period due to the mix of sales contracts types in force during the period; Parex's foreign exchange sensitivity analysis; Parex's estimated undiscounted commitments, including exploration, office and accommodations and decommissioning and environmental obligations; and the anticipated timing thereof; the anticipated total undiscounted cash flows required to settle the Company's decommissioning and environmental liability cost, the anticipated timing thereof, and the internal resources available to the Company at the time of settlement; and the Company's estimated effective tax rate for 2026; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods is based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be

appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change, and should not be used for purposes other than for which it is disclosed herein.

Distribution Advisory

The Company's future shareholder distributions, including but not limited to the payment of dividends and the acquisition by the Company of its shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to pay further dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) or acquire shares of the Company will be subject to the discretion of the Board of Directors of Parex and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay dividends or repurchase any shares of the Company in the future.

Oil and Gas Advisory

This MD&A contains a number of oil and gas metrics, including operating netbacks and FFO netbacks. These oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this MD&A, should not be relied upon for investment or other purposes.

The term "Boe" means a barrel of oil equivalent on the basis of 6 thousand cubic feet ("Mcf") of natural gas to 1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

Non-GAAP and Other Financial Measures Advisory

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance. The forward-looking non-GAAP financial measures used in this MD&A have no significant difference from their equivalent historical non-GAAP financial measures.

These measures facilitate management's comparisons to the Company’s historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company’s performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures used in this MD&A.

Non-GAAP Financial Measures

Capital expenditures, *is a non-GAAP financial measure which the Company uses to describe its capital costs associated with oil and gas expenditures. The measure considers both property, plant and equipment expenditures and exploration and evaluation asset expenditures which are items in the Company's statement of cash flows for the period and is calculated as follows:*

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Property, plant and equipment expenditures	**$ 69,131**	$ 49,067	**$ 117,413**	$ 94,018
Exploration and evaluation expenditures	**64,562**	39,623	**107,323**	51,726
Capital expenditures	**$ 133,693**	$ 88,690	**$ 224,736**	$ 145,744

	For the three months ended					
	March 31,	December 31,	September 30,	March 31,	December 31,	September 30,
($000s)	2026	2025	2025	2025	2024	2024
Property, plant and equipment expenditures	$ 48,282	$ 47,575	$ 59,002	$ 44,951	$ 62,799	$ 68,406
Exploration and evaluation expenditures	42,761	37,045	20,959	12,103	19,311	13,961
Capital expenditures	$ 91,043	$ 84,620	$ 79,961	$ 57,054	$ 82,110	$ 82,367

Free funds flow, *is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow to be a key measure as it demonstrates Parex's ability to fund return of capital, such as the normal course issuer bid or dividends, without accessing outside funds and is calculated as follows:*

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Cash provided by operating activities	**$ 199,235**	$ 142,642	**$ 223,321**	$ 230,020
Net change in non-cash assets and liabilities	**(67,181)**	(37,821)	**22,435**	(3,255)
Funds flow provided by operations	**132,054**	104,821	**245,756**	226,765
Capital expenditures, excluding corporate acquisitions	**133,693**	88,690	**224,736**	145,744
Free funds flow	**$ (1,639)**	$ 16,131	**$ 21,020**	$ 81,021

EBITDA*, is a non-GAAP financial measure that is defined as net income adjusted for finance income and expense, other expense, income tax expense and depletion, depreciation and amortization.*

Adjusted EBITDA, *is a non-GAAP financial measure defined as EBITDA adjusted for non-cash impairment charges, share-based compensation expense, gain on acquisition, transaction costs, non-cash inventory fair value adjustment, unrealized foreign exchange gains (losses) and unrealized gains (losses) on risk management contracts and marketable securities.*

The Company considers EBITDA and Adjusted EBITDA to be key measures as they demonstrate Parex's profitability before finance income and expenses, taxes, depletion, depreciation and amortization and other non-cash items. A reconciliation from net income to EBITDA and Adjusted EBITDA is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Net income	**$ 444,296**	$ 49,113	**$ 448,885**	$ 129,742
Adjustments to reconcile net income to EBITDA:				
Finance income	**(2,740)**	(612)	**(6,144)**	(1,909)
Finance expense	**17,219**	5,474	**23,984**	10,530
Other expense	**8,970**	12,453	**26,327**	13,600
Income tax expense (recovery)	**(42,576)**	9,623	**(23,342)**	12,701
Depletion, depreciation and amortization	**62,382**	47,949	**113,671**	98,368
EBITDA	**$ 487,551**	$ 124,000	**$ 583,381**	$ 263,032
Share-based compensation expense	**(341)**	6,476	**18,326**	8,568
Gain on acquisition	**(302,483)**	—	**(302,483)**	—
Transaction costs	**28,390**	—	**29,000**	—
Non-cash inventory fair value adjustment	**9,365**	—	**9,365**	—
Unrealized foreign exchange gain	**(2,217)**	(2,369)	**(1,507)**	(7,288)
Unrealized gain on commodity risk management contracts	**(30,635)**	(362)	**(1,050)**	(1,160)
Unrealized (gain) loss on marketable securities	**2,433**	—	**(10,285)**	—
Adjusted EBITDA	**$ 192,063**	$ 127,745	**$ 324,747**	$ 263,152

***Operating netback**, is a non-GAAP financial measure that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback as oil and natural gas sales from production, less purchased crude oil, royalties, production, and transportation expense. Refer to "Financial and Operational Results – Consolidated Results of Operations" for the calculation of operating netback.*

Non-GAAP Ratios

***Operating netback per boe**, is a non-GAAP ratio that the Company considers to be a key measure as it demonstrates Parex's profitability relative to current commodity prices. Parex calculates operating netback per boe as operating netback divided by the total equivalent produced oil and gas sales volumes before consumption for oil and natural gas sales price, oil and natural gas sales price, net of purchased crude oil, royalties, production and transportation expense per boe.*

***Funds flow provided by operations netback per boe** , is a non-GAAP ratio that includes all cash generated from operating activities and is calculated before changes in non-cash assets and liabilities, divided by produced oil and natural gas sales volumes before consumption. The Company considers funds flow provided by operations netback per boe to be a key measure as it demonstrates Parex's profitability after all cash costs relative to current commodity prices.*

***Adjusted funds flow provided by operations per share**, is a non-GAAP ratio that is calculated by dividing adjusted funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted adjusted funds flow provided by operations excluding the one-time costs of nonrecurring transaction-related costs and realized losses on hedging contracts per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The Company considers basic and diluted adjusted funds flow provided by operations per share or FFO per share to be a key measure as it demonstrates Parex's profitability after all cash costs relative to the weighted average number of basic and diluted shares outstanding excluding items that may not reflect ongoing operating performance, relative to current commodity prices.*

***Adjusted funds flow provided by operations netback per boe,** is a capital management measure calculated as funds flow provided by operations, adjusted to exclude non-recurring transaction-related costs and realized (gains) losses on commodity risk management contracts. The Company considers adjusted funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after cash costs, excluding items that may not reflect ongoing operating performance, relative to current commodity prices.*

***Basic and diluted funds flow provided by operations per share or FFO per share**, is a non-GAAP ratio that is calculated by dividing funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted funds flow provided by operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The Company considers basic and diluted funds flow provided by operations per share or FFO per share to be a key measure as it demonstrates Parex's profitability after all cash costs relative to the weighted average number of basic and diluted shares outstanding.*

***Basic and diluted adjusted funds flow provided by operations per share or FFO per share**, is a non-GAAP ratio that is calculated by dividing adjusted funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. Parex presents basic and diluted adjusted funds flow provided by operations adjusted to exclude non-recurring transaction-related costs and realized (gains) losses on commodity risk management contracts per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share. The Company considers basic and diluted adjusted funds flow provided by operations per share or FFO per share to be a key measure as it demonstrates Parex's profitability after all cash costs relative to the weighted average number of basic and diluted shares outstanding excluding items that may not reflect ongoing operating performance, relative to current commodity prices.*

Capital Management Measures

***Funds flow provided by operations,** is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash assets and liabilities. The Company considers funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after all cash costs.*

***Adjusted funds flow provided by operations,** is a capital management measure calculated as funds flow provided by operations, adjusted to exclude non-recurring transaction-related costs and realized (gains) losses on commodity risk management contracts. The Company considers adjusted funds flow provided by operations to be a key measure as it demonstrates Parex's profitability after cash costs, excluding items that may not reflect ongoing operating performance.*

A reconciliation from cash provided by operating activities to funds flow provided by operations and adjusted funds flow provided by operations is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Cash provided by operating activities	**$ 199,235**	$ 142,642	**$ 223,321**	$ 230,020
Net change in non-cash assets and liabilities	**(67,181)**	(37,821)	**22,435**	(3,255)
Funds flow provided by operations	**132,054**	104,821	**245,756**	226,765
Transaction costs	**28,390**	—	**29,000**	—
Realized loss (gain) on commodity risk management contracts	**30,711**	(1,168)	**32,947**	193
Adjusted funds flow provided by operations	**$ 191,155**	$ 103,653	**$ 307,703**	$ 226,958

	For the three months ended					
($000s)	March 31, 2026	December 31, 2025	September 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Cash provided by operating activities	$ 24,086	$ 107,744	$ 86,992	$ 87,621	$ 67,847	$ 181,874
Net change in non-cash assets and liabilities	89,616	15,178	18,306	34,323	73,354	(30,101)
Funds flow provided by operations	113,702	122,922	105,298	121,944	141,201	151,773
Transaction costs	610	—	—	—	—	—
Realized (gain) loss on commodity risk management contracts	2,236	(807)	3,193	1,361	—	—
Adjusted funds flow provided by operations	$ 116,548	$ 122,115	$ 108,491	$ 123,305	$ 141,201	$ 151,773

Working capital surplus (deficit), *is a capital management measure which the Company uses to describe its liquidity position and ability to meet its short-term liabilities. Working capital surplus (deficit) is defined as current assets less current liabilities:*

	As at June 30,	
($000s)	**2026**	2025
Current assets	**$ 602,247**	$ 239,485
Current liabilities	**685,469**	219,437
Working capital (deficit) surplus	**$ (83,222)**	$ 20,048

	As at					
($000s)	March 31, 2026	December 31, 2025	September 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Current assets	$ 411,425	$ 273,994	$ 224,109	$ 259,256	$ 245,943	$ 248,208
Current liabilities	275,919	245,967	227,276	190,216	186,546	210,699
Working capital surplus (deficit)	$ 135,506	$ 28,027	$ (3,167)	$ 69,040	$ 59,397	$ 37,509

Net debt (net cash), *is a capital management measure which the Company uses to monitor leverage and manage capital. Net debt (net cash) is defined as working capital, less bank debt, unsecured notes and long-term customer prepayments:*

	As at June 30,	
($000s)	**2026**	2025
Working capital deficit (surplus)	**$ 83,222**	$ (20,048)
Bank debt	**—**	18,000
Unsecured notes	**792,265**	—
Customer prepayments - long-term	**31,111**	—
Net debt (net cash)	**$ 906,598**	$ (2,048)

	As at					
($000s)	March 31, 2026	December 31, 2025	September 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Working capital (surplus) deficit	$ (135,506)	$ (28,027)	$ 3,167	$ (69,040)	$ (59,397)	$ (37,509)
Bank debt	175,200	33,000	10,000	50,000	60,000	30,000
Net debt (net cash)	$ 39,694	$ 4,973	$ 13,167	$ (19,040)	$ 603	$ (7,509)

Supplementary Financial Measures

"DD&A expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the total production.

"Dividends paid per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"Effective current tax rate as a per cent of funds flow provided by operations before tax" is comprised of current income tax expense, as determined in accordance with IFRS, divided by funds flow provided by operations before tax.

"G&A expense per boe" is comprised of net G&A expense after recoveries and capitalization, as determined in accordance with IFRS, divided by the total production.

"Net revenue per boe" is comprised of net revenue, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

"Oil and natural gas sales price per boe" is comprised of total commodity sales from oil and natural gas production, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

"Oil and natural gas sales price, net of purchased crude oil per boe" is comprised of total commodity sales from oil and natural gas production less purchased crude oil, as determined in accordance with IFRS, divided by the total oil and natural gas sales volumes including purchased oil volumes.

"Price differential and transportation expense per bbl" is comprised of realized oil sales price per bbl, as defined herein, less Brent crude price to calculate the price differential, plus transportation expense per bbl as defined herein.

"Production expense per boe" is comprised of production expense, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

"Purchased crude oil per boe" is comprised of purchased crude oil expense, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

"Realized oil sales price per bbl" is comprised of total oil sales, as determined in accordance with IFRS, divided by the total equivalent produced oil sales volumes before consumption.

"Realized natural gas price per Mcf" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the natural gas sales volumes.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by the total equivalent sales from produced oil and natural gas production, as determined in accordance with IFRS.

"Transportation expense per bbl" is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent produced oil sales volumes before consumption.

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the total equivalent produced oil and gas sales volumes before consumption.

Business Environment and Risks

Parex is exposed to various market and operational risks. For a discussion of these risks please refer to the "Risk Factors" section in Parex's AIF for the year ended December 31, 2025 as filed on SEDAR+ at www.sedarplus.ca or Parex's website at www.parexresources.com.

Internal Controls over Financial Reporting

During the period ended June 30, 2026, Parex completed the acquisition of Frontera Petroleum International Holdings B.V. (the "Frontera Transaction"), which holds all of Frontera's exploration and production assets in Colombia. The Company began consolidating the results of the acquired business effective June 1, 2026. In connection with the Frontera Transaction, management commenced activities to integrate the acquired operations, processes and systems into Parex's disclosure controls and procedures ("DCP") and internal control over financial reporting ("ICFR").

As permitted by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, management has limited the scope of its design of DCP and ICFR to exclude the controls, policies and procedures of the acquired Frontera business as at June 30, 2026. National Instrument 52-109 permits an issuer to limit the scope of the design of DCP and ICFR to exclude an acquired business for a period of up to 365 days from the acquisition date. During this period, management will continue its assessment and integration of the acquired business, including the design and implementation of appropriate controls.

At June 30, 2026, the acquired business represented approximately 43% of the Company's consolidated total assets and approximately 18% of the Company's consolidated oil and natural gas sales for the period from the acquisition date of June 1, 2026 to June 30, 2026.

Other than changes associated with the integration of the acquired Frontera business described above, there were no changes in the Company's ICFR during the period covered by this MD&A that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Off-Balance-Sheet Arrangements

The Company did not enter into any off-balance-sheet arrangements during the six months ended June 30, 2026 other than normal course guarantees entered into in the form of letters of credit to support the exploration work commitments on its blocks. For further information refer to "Contractual Obligations, Commitments and Guarantees" section above and note 27 - Commitments and Contingencies in the unaudited condensed interim consolidated financial statements.

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity.

Material Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2025 with the addition of the below Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures.*

On January 1, 2026, the Company adopted the amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* in the interim period ending March 31, 2026. The amendments for disclosures relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. There was not a material effect to the Company's condensed interim consolidated financial statements. The Company has applied the election to deem financial liabilities settled in cash using an electronic payment system to be discharged before the settlement date. The amendments have been applied retrospectively with no restatement of comparative information, in accordance with transition requirements on initial application of IFRS 9. There is no adjustment to the opening balance of cash and cash equivalents in the consolidated statements of cash flows.

In addition, due to the acquisition of Frontera Petroleum International Holdings B.V. (see Note 8 - Business Combination), the following additional accounting policies have been updated:

Subsidiaries:
Frontera Energy Colombia AG has been identified as an additional principal operating subsidiary. Frontera Energy AG is incorporated in Switzerland and its principle business activity is oil and natural gas exploration and development in Colombia. Parex has 100% ownership of this subsidiary.

Customer prepayments:
The Company recognizes each contract in the statement of financial position as either a contract asset or a contract liability, based on the relationship between the Company's performance under the contract and the consideration received from the customer. Additionally, when a customer pays consideration, or when the Company has an unconditional right to consideration (i.e., a receivable) before transferring goods or services, the entity shall present the amount as a contract liability or customer prepayment in the statement of financial position (see Note 13 - Customer Prepayments). This classification applies at the earlier of the payment date or the date the payment becomes due. Financing components embedded in customer prepayment arrangements are recognized using the effective interest method over the term of the agreement when significant financing components exist.

In addition, due to the recognition of Equity tax in the current period, the following additional accounting policy has been updated:

Equity tax:
Equity tax represents a tax imposed by the Colombian Government on entities whose net equity exceeds a prescribed threshold as of a specified measurement date. The tax is recognized as an expense when the obligating event occurs and the amount can be reliably estimated. The related liability is measured based on the applicable tax rate applied to taxable net equity, considering enacted or substantively enacted tax legislation at the reporting date. Equity tax is recognized in profit or loss and is not included in income tax expense unless required by applicable tax legislation (see Note 20 - Other Expense).

Standards Issued but not yet Effective

i) IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which will replace IAS 1 and includes requirements for all entities applying IFRS for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expenses in the statement of income, as well as requiring disclosure about management-

defined performance measures ("MPMs") and additional requirements regarding the aggregation and disaggregation of certain information. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted, and it must be adopted on a retrospective basis.

Parex is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements. Throughout 2026, Parex will assess system changes, draft and finalize financial statements to quantify the impact of changes, MPMs and related disclosures ahead of the 2027 effective date.

Significant Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make significant judgments, assumptions and estimates that affect the financial results of the Company. Refer to note 2 of the audited consolidated financial statements for a summary of significant accounting estimates applied by the Company.

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President & Country Manager, Parex Resources (Colombia) AG Sucursal

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Chief Operating Officer

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ABBREVIATIONS

Oil and Natural Gas Liquids

bbl(s)	barrel(s)
mbbls	one thousand barrels
bbl(s)/d or bopd	barrel(s) of oil per day
BOE or boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

Other

WTI	West Texas Intermediate
Brent	Brent Ice
FFO	Funds flow provided by operations